FRENCH MULTINATIONALS AND HUMAN RESOURCE MANAGEMENT IN JORDAN

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ABSTRACT

This study set out to contribute to the literature on international human resource management (IHRM) strategies of multinational corporations (MNCs) and the factors that influence them. In doing so, it sought to address a number of weaknesses in the existing literature, notably a marked lack of research into the strategies adopted by MNCs in developing economies, particularly when they become involved under the auspices of privatisation programmes. More specifically, the study sought to investigate the human resource management (HRM) reforms introduced by three French MNCs in privatised Jordanian companies and the factors that influenced them.

The research utilised a longitudinal multiple-case design to achieve the study's aim and objectives, and was conducted in three phases over three years. More specifically, the study was based upon a sample of three case studies of privatised Jordanian companies that had recently come under the control of French MNCs operating in different sectors. Primary data was gathered through 67 in-depth semi-structured interviews with company directors, senior line and finance managers, and HR staff, including senior personnel based at headquarters in France. In addition, 14 interviews were conducted with government officials in Jordan and a range of supplementary documentary evidence was examined.

In general, the findings from the case study companies revealed that in each of the Jordanian subsidiaries a wide range of changes had been made to the previously existing HRM policies. These encompassed the making of reforms in each of the specific areas of HR activity investigated: the people management responsibilities of line managers; staffing, recruitment and selection; training and development; performance appraisal; rewards; and communication and consultation. Taken together, the case studies highlighted similarities in terms of the objectives and broad thrust of the structural, policy and cultural reforms that were introduced. However, they also showed the companies to differ in terms of the way in which the reforms were centrally authored, the extent to which they were implemented in a participative way, the types of control mechanisms that were used to support the reform process, and the pace with which the reforms were introduced.

The above similarities and differences appeared to have been influenced by a number of interrelated factors. Most important was the beliefs that senior management held of what constituted 'good and appropriate' human resource practice. Others related to the characteristics of the industries in which the MNCs operated and the implications these had for company business strategies and structures; the parent company's country of origin and experience in managing international operations; the strategic role of the subsidiaries and their mode of establishment; and a number of host country effects.

Overall, it is argued, that the study's findings contribute to existing knowledge in a number of ways. First, the findings lend some further support to the validity of Perlmutter's typology of the IHRM strategies that are adopted by MNCs, while also raising doubts about its future usefulness. They also add weight to the view that a process of convergence is occurring in respect of the HRM policies utilised by MNCs, and that this convergence is centred around an Anglo-Saxon conceptualisation of HRM best practice. At the same time, they also lend weight to the argument that this process of Anglo-Saxonisation is occurring in the context of national specific frameworks. As a result, the study suggests that there remains some country of origin influence over the way MNCs mange their human resources.

More generally, the study's findings tend to suggest, contrary to some arguments in the literature, that MNCs do not apply different IHRM strategies and practices to their subsidiaries in developing economies. They also suggest that more attention needs to be paid to the way in which government policies and wider political pressures, surrounding the privatisation programmes of such countries act to influence the way in which MNCs approach the process of reform in subsidiaries acquired as a result of privatisation.

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LIST OF ABBREVIATIONS

ADMIN	Administration
AFM	Amman Financial Market
AGM	Assistant General Manager
AGWA	Amman Governorate Water Authority
ARC	Aqaba Railway Corporation
BOO	Build, Operate and Obtain
BOT	Build, Operate and Transfer
CEGCO	Central Electric Generation Company
CEO	Chief Executive Officer
CM	Cement Master
CO	Company
CP	Cement Professional
CTI	International Technical Centre
DG	Director General
DDG	Deputy Director General
EPC	Executive Privatisation Commission
EPU	Executive Privatisation Unit
ERDL	Economic Reform and Development Loan
EVA	Economic Value Added
FDI	Foreign Direct Investment
FT	France Telecom
GATT	General Agreement on Trade and Tariffs
GCE	General Certificate of Education

GDFCF	Gross Domestic Fixed Capital Formation
GDP	Gross Domestic Product
GNP	Gross National Product
EDCO	Electric Distribution Company
EU	European Union
HCP	Higher Committee for Privatisation
HMC	Higher Ministerial Committee
HO	Head Office
HQ	Headquarters
HR	Human Resources
HRM	Human Resource Management
IHRM	International Human Resource Management
ILO	International Labour Organisation
IMF	International Monetary Fund
IPO	International Press Office
IT	Information Technology
JC	Jordan Cement
JCF	Jordan Cement Factories
JD	Jordan Dinar
JIC	Jordan Investment Corporation
JMG	Jordan Media Group
JTC	Jordan Telecommunications Company
M&As	Mergers and Acquisitions
MENA	Middle East and North Africa
MN	Million

MNC	Multinational Corporation
NAFTA	North American Free Trade Agreement
NEPCO	National Electric Power Company
OEA	Operating Expenditure Account
OECD	Organisation for Economic Cooperation and Development
OIF	Operations Investment Fund
OSP	Outside Planning
PE	Public Enterprise
PSC	Public Shareholding Company
PTA	Public Transport Administrator
PTC	Public Transport Corporation
RJ	Royal Jordanian
SIHRM	Strategic Human Resource Management
TCC	Telecommunications Corporation
TNC	Transnational Corporation
TRC	Telecommunications Regulatory Commission
TU	Trade Union
UFW	Unaccounted For Water
UK	United Kingdom
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNCTC	United Nations Centre on Transnational Corporations
US	United States
TCC	Telecommunications Corporation
TNC	Transnational Corporation

T.S.C.	Training Steering Committee
VP	Vice President
WAJ	Water Authority of Jordan
WB	World Bank
WTO	World Trade Organisation

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CHAPTER ONE: INTRODUCTION

This study focuses on changes in the human resource management (HRM) policies and practices in Jordanian companies taken over by multinationals under a privatisation programme. Initially, this introductory chapter highlights the two-fold rationale for this focus: first, the importance of privatisation to the expansionary activities of multinationals; secondly, a number of related weaknesses in the existing literature of multinational corporations (MNCs) human resource strategies. Following this, the overall aim and supporting objectives of the study are detailed, along with a brief description of the research methodology utilised. Finally, the last section of the chapter describes the structure of the remaining parts of the thesis.

Multinational Expansion Through Privatisation

Against a background of globalisation and internationalisation, it is widely argued that the period since the mid-1980s has been marked by changes in the world economy that have led to profound developments in MNCs' international operations, strategies and structures. Six major forces of change have been identified (UN, 1993; Ferner and Hyman, 1998; Bartlett and Ghoshal, 1998; Debrah, 2001). First, globalisation and the removal of trade barriers, as manifested in the General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO) agreements. Secondly, the continuing integration and growth of regional trade blocs such as the European Union (EU) and North American Free Trade Agreement (NAFTA), and the more general incorporation of former communist countries into the world economic system. Thirdly, the liberalisation of financial markets, and the deregulation and privatisation of monopoly state utilities. Fourthly, advances in information technology. Fifthly, some cross-national convergence in demand patterns. Finally, an intensification of competition world-wide.

As a consequence of these changes in the global economic environment, 'speed' has become the name of the game, pushing MNCs to adopt fast track expansionary strategies, such as cross-border mergers and acquisitions (M & As), and a variety of non-equity arrangements, such as franchising, licensing, subcontracting and management contracts (Luostarinen and Welch, 1990; Hirst and Thompson, 1999; Rugman, 2000; UN, 2000; Dicken, 2003). For example, over the past decade, most of the growth of international production within MNCs has been via cross-border M & As rather than greenfield investment. Indeed, the share of total cross-border M & As in world foreign direct investment (FDI) flows increased from 52% in 1987 to 83% in 1999. It is also evident that M & As has been contributing towards an increasing share of FDI flows to both developed and developing economies (UN, 2000).

Given the number, value and spread of cross border transactions, one can now speak of a market for firms that is increasingly global in nature. It can also be seen that, notwithstanding the view that a triadisation (Ruigrok and van Tulder, 1995; Dicken, 1998; Hirst and Thompson, 1996) of the world economy is occurring, more and more countries, including developing countries and countries from Central Europe (Harvey *et al*, 1999), are becoming drawn into this emerging global market, as are more and more industries and firms, both large and small. At the same time, it is claimed that this quest of MNCs to enhance competitiveness by spreading activities over different locations – to acquire a good portfolio of "locational assets" – is matched by the desire of countries to attract more FDI. For example, many developing countries are creating more friendly business environments (Debrah, 2001) to achieve greater integration into the global economy, including integration into the regional or global production networks of MNCs, in order to become more prominent players in the world market and benefit more from FDI. Changes in many government policies on FDI in recent years have both confirmed and strengthened this trend. In particular, developing countries and transition economies have reduced sectoral restrictions to foreign entry, or liberised operations in industries, which had previously been either closed or restricted to FDI. Consequently, privatisation programmes have been an important means for MNC expansion into developing countries. For example, approximately 14% of FDI flows going into Africa during 1990-1998 have been linked to privatisation (UN, 2000), and approximately 40% of the over $700 billion in assets that have been privatised in the world's economies in the last decade have resided in emerging economies (Ramamurti, 2000; Zahra, 2000). The importance of this link between FDI and privatisation is further illustrated by the fact that FDI has been noted to be higher in countries, such as Brazil and Argentina, where substantial privatisation has occurred and to be lower in some African states where far less action has been taken to dispose of publicly owned undertakings (UN, 2000; Duarte, 2000).

Weaknesses in the International Human Resource Management Literature

The already noted growth in the international activities of MNCs has been reflected in a growing literature on their human resources management (HRM) strategies and policies. Much of this literature has focused on distinguishing between different types of MNCs' strategies and identifying the factors that influence their adoption and implementation. A further component of it has been the issue of how MNCs control their subsidiaries.

Nevertheless, despite this growth in literature, a number of limitations in that which exists can be identified. In particular, seven weaknesses can be distinguished. First, the main focus of most of the studies conducted to date has been on the utilisation of HRM strategies and control methods in respect of well-established overseas subsidiaries (Welch and Welch, 1994). Secondly, attention has been primarily paid to the relationships that MNCs have with subsidiaries that they both own and control, with the result that there has been a marked lack of consideration given to other forms of MNC-subsidiary relationship, such as joint ventures, management contracts and strategic alliances (Welch and Welch, 1994; UN, 1997). Thirdly, relatively little attention has been paid to the HRM strategies adopted in respect of subsidiaries based in developing, as opposed to developed, economies (Lawler *et al*, 1995; Arthur *et al*, 1995; Napier and Vu, 1998; Myloni and Harzing, 2001).

Fourthly, to date the dynamics of the interaction between the parent company (country of origin) and the subsidiary (the host country effect) have been relatively little explored (Ferner, 1997). Moreover, insofar as they have been explored, attention has been largely restricted to the role of cultural factors (Hofstede, 1980; Eramilli, 1996) and the impact of employment laws (Florkowski and Nath, 1993). In contrast, much less attention has been paid to the way in which the HRM strategies of MNCs are influenced by wider political considerations, despite the evidence reviewed above that in the developing world much of the MNCs' involvement and expansion is occurring under the auspices of privatisation programmes (UN, 1993; 1997; 2000), and the fact that such considerations are therefore likely to be of considerable importance (Negandhi, 1985; Doz, 1986; Cook and Kirkpatrick, 1998; Baddar and James, 2001). Fifthly, the literature has largely concentrated on US and Japanese companies, with the result that research on European MNCs is still underdeveloped (Ferner, 1997; Ferner and Quintanilla, 1998; Harzing, 1999; Myloni and Harzing, 2001; Muller-Camen *et al*, 2001). Sixthly, most of the research conducted has tended to concentrate on manufacturing rather than services, with the result that, in Sisson's (2001) terms, there is a "tertiarisation gap" in terms of the focus of the existing literature. Finally, existing studies have predominantly relied on survey-based quantitative research methods which do not therefore adequately capture the subtle, complex and evolving relationships between corporate HQ and subsidiaries, nor the processes by which practices are diffused and adapted across borders (Ferner, 2001; Martin and Beaumont, 1999).

These weaknesses in the existing literature both provided the motives for the study detailed in this thesis and also informed its design. In particular, they led the author to develop a study which:

- Focused attention on multinational HRM strategies in developing economies;
- Embraced parent-subsidiary relationship that extended beyond full ownership and control;
- Investigated subsidiaries recently acquired through privatisation; and
- Utilised a qualitative case study methodology

Aim and Objectives of the Study

The study's overall aim was:

To examine the impact of foreign ownership/control on the HRM policies and practices of privatised Jordanian companies.

To achieve this overall aim, the following key objectives were identified:

- To examine the nature and scale of recent privatisation policies in Jordan, including the role played by foreign companies
- To review the literature on the HRM strategies and policies of MNCs
- To investigate how foreign ownership/control has affected the HRM policies and practices of privatised Jordanian companies, and

- To analyse the variables that have influenced the adoption of these HRM policies and practices in the privatised companies.

Outline of Research Methodology

Both secondary and primary data were used to achieve the aim and objectives of the study. The secondary/desk research focused on the literature on the international human resource management strategies of MNCs, the methods they utilise to implement them and the factors which influence the adoption of these strategies and methods. This review contributed to the formulation of the research questions and helped the investigator to specify the kind of organisations to be approached and the type of data to be collected.

A qualitative research design was utilised to achieve the study's aim and objectives. More specifically, three detailed cases studies were conducted of privatised Jordanian companies that had been taken over by three French MNCs. The primary research tool was the in-depth semi-structured interview and the research was conducted in the subsidiaries in Jordan and at the corporate headquarters of the MNCs in France.

The research was conducted in three phases over three years. The first phase involved gathering data on the HRM strategies and policies of the selected companies that were in place before, or immediately after, privatisation in order to establish a baseline for tracing any subsequent changes. This data was obtained through interviews with government officials and senior managers and human resources specialists in each of the case study organisations. The second and third phases of the study involved the conducting of follow up interviews at different time periods in order to collect information on the changes which had been, or were in the process of being, introduced in the area of HRM, the factors which had influenced these changes, and likely future developments in HRM policies. The information in question was gathered primarily through interviews conducted with company directors, senior line and finance managers, department managers, human resource staff, including senior personnel based at corporate headquarters in France, and union representatives. In total, 67 interviews were conducted with participants from the case study organizations. In addition, 14 interviews were carried out with government officials in Jordan.

The findings from the above interviews, which were taped and, on average, lasted for one and a half hours, were, in turn, supplemented by a range of documentary evidence. This was gathered from such sources as annual reports, in-house journals and newsletters, official company histories, organisational charts, official policy statements, and corporate Web sites.

Structure of the Thesis

The remainder of the thesis comprises eight chapters. The next chapter provides an overview of Jordan's history and economic situation, and the scale and nature of its privatisation programme. It reveals that, following an economic crisis in 1989, the Jordanian government initiated a programme of privatisation during the early 1990s as part of an economic restructuring plan under the guidance of the IMF and the World Bank. No real progress was, however, made in taking the programme forward as a result of a range of social and political pressures, including fears concerning foreign asset stripping, the enrichment of a few business elites, and potential price rises and increases in unemployment. Nevertheless, the privatisation process was resumed in 1996 against the background of a deteriorating economy and increasing pressures from the World Bank and the IMF. However, in order to allay surrounding social and political concerns, the government decided to impose various conditions on foreign investors that would, among other things, enable the government to keep control over board decisions to protect the national interest, limit potential redundancies, and require the provision of greater access to training. The chapter concludes with a review of the progress that has so far been made in implementing the planned privatisation programme.

Chapter 3 presents a systematic review of the international human resource management literature. This reveals that four themes dominate the existing literature: the nature of the overall international HRM strategies of multinational companies; the factors that influence the choice and adoption of these strategies; the modes of control utilised to implement them; and the extent to which the HRM practices of MNCs are converging or diverging against the backcloth of globalisation. The existing literature relating to each of these themes is therefore explored in detail. The chapter subsequently concludes with a discussion of the literature reviews implications for the present study's underlying rationale and design.

Chapter 4 goes on to detail the study's research design and the considerations that informed it. It explains that a qualitative, longitudinal, multiple-case study method was adopted which involved an examination of the nature of the HRM reforms that the three MNCs introduced into their Jordanian subsidiaries over a three year period, the way in which they were implemented and the factors that influenced their adoption. The chapter further notes that, in examining the reforms introduced, the study focussed attention on changes made in respect of the following issues: the structure and role of human resource (HR) functions; the people management responsibilities of line managers; staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation. In addition, it reports that data on these issues were gathered through a combination of documentary evidence and interviews with government officials, expatriate and local managers at the subsidiary level, and corporate staff at the MNCs' French headquarters.

Chapters 5 to 7 subsequently report the findings from each of the case study organisations. Each of these chapters begins by describing the HRM policies and practices that were in place before privatisation. They then go on to explain the changes that were subsequently made to them in preparation for, and following, privatisation, and the considerations that informed their introduction from the perspectives of managerial staff, both in the Jordanian business unit and the parent company's headquarters.

Chapter 8, then, compares and contrasts the findings obtained from the preceding three case study chapters. It notes that the three case studies exhibited marked similarities in terms of the objectives and the broad thrust of the structural, policy and cultural reforms introduced by the French MNCs. At the same time, the chapter also reveals that the three companies exhibited differences with regard to how the reforms were determined, the pace with which they were introduced, the extent to which their implementation was supported by participative change mechanisms, and the relative reliance which was placed on the different types of methods that can be used to control subsidiaries. It further reveals that these similarities and differences reflected the influence of a range of factors. These included the beliefs that senior management held concerning what constituted 'good and appropriate' HR; the characteristics of the industries in which the MNCs operated and their associated international strategies and structures; the parent company's experience in managing international operations and its country of origin; the strategic role of the subsidiaries and their mode of establishment; and a number of host country effects, including governmental policies.

Finally, Chapter 9 draws together the key findings of the study, considers their implications for existing knowledge on the human resource strategies and policies of MNCs, and identifies possible directions for future research. Taken together, the conclusions are seen to add weight to the view that a process of homogenisation and convergence is occurring in the international human resource policies of MNCs' centred on Anglo-Saxon 'best practices'. At the same time, it is noted that, in the case of the three MNCs studied, this process of Anglo-Saxonisation was being informed by some traditional features of French HRM – a finding which suggests, in line with other studies, that the country of origin of MNCs continues to exert an influence over their international HRM strategies and policies. However, in contrast to some of the existing research evidence, the chapter also notes that the three MNCs studied appeared to be adopting similar approaches to the management of their subsidiaries in both developing and developed countries, although each recognised that the pace of reform might need to be slower in the former due to weaknesses in the resources and infrastructures available to facilitate it. Finally, in light of the fact that in each of the case studies the Jordanian government was found to have exerted an important influence over the HRM reforms introduced by the three MNCs, the chapter argues that future research needs to pay greater attention to the way in which the behaviour of MNCs in developing economies is shaped by governmental policies and wider political considerations.

CHAPTER TWO: PRIVATISATION IN JORDAN - BACKGROUND

"As we have recently declared, there is no turning back from democracy. In the same vein, we are announcing today, with equal determination and vigour, that there will be no retreat from economic and social development, or from efforts to raise the standard of living, improve the quality of life and achieve equity in the distribution of development gains among all social groups and regions. The human being is the principal component of the development process as well as its object and goal".

The Late King of Jordan, His Majesty King Hussein
Economic and Social Development Plan 1993-1997

Introduction

The Jordanian government adopted an economic structural reform programme in 1989, encompassing privatisation as its major component. The overall aim of this chapter is to outline the nature of this privatisation programme. To do this, five related issues are explored. Initially attention is paid to the economic and political factors that led to Jordan's economic crisis in the late 1980s. This is followed by a consideration of the government's response to this crisis and the role that it accorded to the issue of privatisation. Attention then turns to the potential scope of privatisation, and the evolution and scope of the privatisation programme eventually adopted. Finally, the last section examines the extent to which this programme has been implemented.

Privatisation and the Economic Crisis in the Late 1980s

The Emirate of Jordan was established in 1921 and Prince Abdullah Bin Al- Hussein became the Prince of Trans-Jordan. In 1946 the country obtained its independence from the British Mandate and Prince Abdullah was proclaimed King of Jordan. Today the country has a population of about 4.5 million and occupies an area of approximately 92,300 square kilometres, more than two-third of which is barren land. The country is bordered to the north by Syria, to the east by Iraq, by Saudi Arabia on the east and south, the Gulf of Aqaba and the Red Sea on the south, and the Palestine National Authority and Israel to the west. Consequently, Jordan represents an ideal gateway to the Middle East and North Africa (MENA) region (JMG, 1995).

Ever since its inception Jordan has suffered economic hardships and vulnerability stemming from five main factors. First, a scarcity of natural resources. Secondly, an export market characterised by a high degree of commodity and geographical concentration. Thirdly, reliance on external financial support in the form of aid from other countries and remittances from Jordanians working abroad, mainly, in the neighbouring Arab Gulf States. Fourthly, frequent political instability in the Middle East and finally, the nature of, and interruptions to, government economic planning.

Notwithstanding these factors, during the period 1973-1980 the Jordanian economy grew substantially. This growth reflected high rates of investments, which in turn reflected a number of other factors: large increases in Arab assistance and loans in the wake of the oil boom in the Gulf countries; the growing demand for Jordanian manpower in the Gulf countries, causing a significant increase in the value of remittances by Jordanians working abroad; and the rise in exports to regional markets (World Bank, 1995). Thus, the real average annual growth rate of GDP, at factor cost, increased from 5.9% during the period 1973-1975 to 12.1% during the period 1976-1980 (Ministry of Planning, 1981; 1986).

Against this background, the 1981-1985 Five-Year Plan was formulated on the assumption of a continuation of existing positive trends, such as the inflow of aid and capital, and the favourable development of trade relations. However, the unprecedented economic growth that Jordan had enjoyed since 1973 ended by 1983 as a result of five related sets of factors. First, aid from the United States, which was the largest single donor apart from Saudi Arabia in the mid-1970s, fell sharply after 1980, despite the key role that Jordan was assigned in the Reagan plan for an Arab-Israeli settlement (Wilson, 1988). Secondly, a decline in oil prices and the subsequent slowdown in the regional economies led to a fall in domestic and external demand, as well as aid from Arab countries (World Bank, 1995). Thirdly, the war in Lebanon in 1974 and, particularly, the Gulf (Iraq-Iran) War in 1980 had a negative impact on overall economic activities both in Jordan and the Middle East region as a whole (Ministry of Planning, 1986). For example, by 1982 Iraq was bankrupt and had become dependent on other Gulf countries, thus competing with Jordan for assistance and finance, and, in 1985, Kuwait's level of disbursements fell to one fourth of the level of the previous year. In the case of Saudi Arabia, the trend was similar, though less marked (Wilson, 1988). As a result, the size of transfers to the central government from remittances from abroad decreased from JD 415 million in 1981 to JD 364, JD 289, JD 251 and JD 290 million in the years 1982, 1983, 1984 and 1985 respectively.

Fourthly, exports were adversely affected by recessions in Jordan's traditional markets, especially the neighbouring countries, where a number of protectionist measures were introduced to safeguard domestic production (Ministry of Planning, 1986). In addition, the strong Dinar during the 1980s had a detrimental impact on exports (ILO, 1990). Consequently, there was a fall in the real annual growth of commodity exports (including re-exports) from 33.5% during the period 1973-1980 to 7.4% during the period 1981-1985.

Fifthly, the recession in the Gulf States and Saudi Arabia, and a deliberate policy of replacing immigrant workers with local nationals in these states, led to a decline in remittances by Jordanians working abroad between 1981-1985 (Ministry of Planning, 1986; Wilson, 1988). For example, as Table 2.1 shows, the percentage growth in remittances by Jordanians working abroad fell from 44% in 1981 to 12% in 1982 and to 5.49% in 1983. These falls were admittedly followed by a temporary increase to approximately 18% in 1984, due to the permanent return of Jordanians who brought their money with them. This was, however, followed by a related 15% decrease in remittances, as a result of fewer Jordanians working abroad, from JD 475 million in 1984 to JD 402.9 million in 1985.

Table 2.1 Jordanian Workers Remittances from Abroad (1980-1985)

Year	*Remittances JD (MN)*	*Percentage Change %*
1980	236.7	
1981	340.9	+ 44
1982	381.9	+ 12
1983	402.9	+ 5.49
1984	475	+ 17.89
1985	402.9	- 15

Source: ILO, 1990; Central Bank of Jordan, Electronic Data Base, 1998.

As a consequence of these factors, Jordan experienced a drastic slowdown in growth, and severe fiscal and external account deficits (World Bank, 1995). Thus, the real average growth rate of GDP, at factor cost, decreased from 6.2% in 1981 to 3.0% in 1985, leading to a fall in the standard of living. In addition, investment by the private sector declined by more than 30% in the years 1986 and 1987, due to the recession and uncertainty about economic prospects (Anani and Khalaf, 1988; ILO, 1990).

These factors, in turn, led the government to increase its borrowing with the result that the size of average annual external borrowing increased from JD 72.9 million in the period 1981-1983 to JD 141.3 million in 1984, then to JD 201.5 million in 1985. Furthermore, this increase was accompanied by a rise in internal borrowing from JD 18 million in 1980 to JD 138.5 million by 1985 (Ministry of Planning, 1993), and a shift in the composition of external borrowing towards a greater reliance on short-term borrowing, that is loans that had to be repaid within two or three years. This growth in the stock of public debt subsequently led the government to identify privatisation as an alternative source of funds (Mansur, 1999)[1]. However, a severe fiscal and monetary crisis (see below) diverted the attention of the government from giving priority to the issue (Al-Kodah, 1998a).

During the second half of the 1980s the above adverse trends continued. At the same time, the 10-year comprehensive commitment of oil producing countries to aid Jordan economically ended in 1988 and was replaced by *ad hoc* grants (Mansur, 1998). Consequently, real average annual economic growth declined even further from 3.0% in 1985 to minus 10.4 % in 1989 (Ministry of planning, 1993).

Against this background, to maintain consumption at a bare minimum, the government approved increasing budget deficits, leading to an increase in the budget deficit (including grants) from JD 153.1 million in 1986 to JD 316.9 million in 1988. Hence, as a percentage of GDP, the budget deficit, including grants, rose from 7.2% in 1986 to 14.2% in 1988. As a result of this tremendous increase in the current account and budget deficits, the government resorted to yet more external and domestic borrowing, including advances from the Central Bank, leading to a larger external domestic debt and a heavier debt service. Thus, by 1988 the external debt rose to $6,444.6 million, while the external debt service reached $1,301.4 million in the same year.

Consequently, by 1989 Jordan was unable to pay off her debts, as overall debts stood at 180% of GDP[2], reserves were wiped out, the country's currency had devalued by nearly 35%, and inflation had increased to 25.8%[3]. This situation led one leading Jordanian economist to make the following observation about this period: (Bani Hani, 1998)

"..As I personally recall from the series of events, which occurred in late 1988, the economy was on the verge of collapse. Our Central Bank's foreign reserves went below the permissible levels. Budget deficit was climbing and reached 25% of our GDP. Consumption to GDP touched the level

of 110%. Inflation was staggering and the wholesale and retail price indexes almost doubled in a few months period. Foreign debt service ratio passed the unsustainable level...the whole economy had gone into turmoil with especially severe negative impact on the social sectors".

Responses to the Economic Crisis

This economic crisis led to an IMF-supported stabilisation programme and a major debt rescheduling at the Paris Club (Kanaan, 1998). However, Jordan had to adopt an amended economic adjustment programme for the period 1992-1998, after the suspension of the first one as a result of the Gulf War. This, like the other earlier one, required the government to pursue a reform agenda to stabilise the economy, improve efficiency, and broaden the role of the private sector (World Bank, 1996).

The Structural Reform Programme

In April 1989, Jordan signed a five-year structural readjustment package with the IMF with the goal of restoring sustainable growth, curbing inflation, stabilising the Dinar's exchange rate, and reducing internal and external financial imbalances (JMG, 1995; Mansur, 1998). Under this programme, the World Bank and the IMF agreed to support the Jordanian economy by successive debt rescheduling, substantial donor assistance, and official bilateral debt reductions. However, this financial support was given in return for the adoption by the Jordanian government of a number of specific stabilisation and adjustment measures. These included: (a) a series of fiscal adjustments to reduce budget deficits, and various tariff and tax reforms to enlarge the revenue base and enhance revenue performance; (b) a large devaluation of the Jordanian Dinar in 1989 followed by a flexible exchange rate policy to maintain export competitiveness; (c) a number of measures to reduce tariff protection and improve the trade incentives regime; (d) decontrol of interest rates; (e) the introduction of comprehensive structural reforms in the energy and agriculture sectors; and (f) the strengthening of institutional support for export development (World Bank, 1995).

The Adjusted Economic Structural Reforms Programme

Another upheaval shook the Arab World on 2 August 1991 when Iraqi forces invaded Kuwait causing what has become to be known as the Gulf Crisis. Jordan stood in full agreement with the international community that the Iraqi invasion and annexation of Kuwait was a breach of international law that could not be allowed to stand. However, Jordan opposed the UN's coalition military action against Iraq, which Kuwait and the rest of the Gulf States approved of, and instead called for a regional and peaceful resolution to the conflict (JMG, 1995).

As a consequence, Jordan suffered tremendous losses during and after the Gulf War on both the political and economic fronts. (Ministry of Planning, 1993). The Gulf countries punished Jordan for its independent political stand by cutting off aid, oil and export markets. In addition, the international sanctions against Iraq deprived Jordan of its major trading partner, accounting for 20% of Jordan's exports.

Moreover, these economic problems were compounded by the repatriation of over 300,000 Jordanians working in the Gulf during the post-war period, and the arrival of over one million temporary evacuees. This influx of refugees and returnees led to an increased demand on the country's limited water supplies and infrastructure, raising poverty and causing a sharp increase in unemployment to around 30%. As a result of these unforeseen developments, Jordan was forced to temporarily suspend payment of its rescheduled debt and seek the assistance of the World Bank and the IMF once more.

Subsequently, in October 1991, the government concluded a new seven-year economic adjustment programme with the IMF for the period 1992-1998 which was designed to improve Jordan's balance of payments, reduce inflation, shrink the public sector's share of GDP and boost real GDP growth (JMG, 1995; Mansur, 1998; IPO, 1999). Under this revised programme the World Bank offered to provide further support in the form of loans, debt rescheduling and technical assistance. However, the Economic Reform and Development Loans (ERDLs) were designed as single-tranched loans, payment of which was dependent on the government taking specified prior actions (World Bank, 1996). For example, the 1997/98 ERDL-III loan of US$ 75 million was dependent on a set of privatisation, trade, financial sector and regulatory reforms (World Bank, 1997).

In light of the amended adjustment programme, the government developed an Economic and Social Development Plan covering the period 1993-1997. This plan was based on a range of general principles, which were intended to determine the future course of the national economy. The most important of these for present purposes was the *"Liberalisation of the economy and its institutions, elimination of distortions obstructing sound economic performance, and development of an appropriate investment climate"* (Ministry of Planning, 1993: 103). In support of this principle the government proposed a series of measures aimed at the following objectives (Ministry of Planning, 1993)[4]:

a) Enhancing the regulatory and supervisory role of the government and initiating legislation designed to:

- Encourage savings, maintain capital assets, and curb conspicuous consumption;
- increase opportunities for fair competition;
- Prevent monopolies;
- Protect consumers through the development and enforcement of standards and specifications;
- Raise export capability and reducing excessive protectionism of domestic products;
- Promote the use of domestic factors in production;
- Conserve resources and the environment; and

- Protect patent rights.

b) Reduce the government role in direct production; enhance the role of the private sector through improving incentives for domestic and foreign investment; and discouraging government competition with the private sector.

c) Activate the role of the private sector in the areas of infrastructure and basic services, and increase private sector participation in the management and ownership of public sector institutions on an equitable and well-considered basis.

d) Develop and activate financial markets with the aim of ensuring the free movement of capital, and increasing savings and directing them towards investment.

e) Restructure public sector institutions undergoing financial difficulties; improve their efficiency; and gradually implement measures to eliminate subsidies, recover costs, free prices, production and wages, and adopt commercial performance criteria.

f) Increase the efficiency of government departments, promote decentralization and delegation of authority and prevent duplication and overlapping in the functions of the various departments.

g) Develop and promote the commodity and services sectors, including the manufacturing industries, utilise and process available ores, and encourage the export industries.

The Potential Scope of Privatisation

As part of this new economic strategy, which calls for a much larger role for the private sector, the government initiated a privatisation programme in the early 1990s, as well as starting to open up some of the sectors which had previously been closed to private investors, such as communication and energy. This section highlights the potential significance of this privatisation programme by examining the size of the public sector and its composition in Jordan, including major potential enterprises for privatisation.

Economic Significance of the Public Sector

The government's heavy involvement in development efforts, particularly from the mid-1970s to the mid-1980s, was accompanied by a substantial growth of the public sector to the point where it accounted for 35-37% of GDP (Anani, 1997), and came to comprise 25 ministries with 20 central departments and 37 public corporations (Ministry of Planning, 1993).

The resulting economic significance of the public sector can be illustrated by the following five features of the Jordanian economy in the early to mid-1990s. First, the public sector[5] constituted about 55% of employment (1993 figures) and consisted of more than 300 thousand employees, equivalent to more than 40% of the total employed population in 1995 (WB, 1995). Secondly, the public sector was responsible for about 35% of gross domestic fixed capital formation (GDFCF) over the period 1990-92. Thirdly, several important sectors of the economy – infrastructure services, mining, and tourism, which accounted for 30% of GDP in 1992, were dominated by the public sector (WB, 1995). Fourthly, exports originating in enterprises with majority government ownership accounted for 29% and 25% of total commodity exports in 1993 and 1995 respectively (Kanaan, 1998). Finally, the public sector also had shares in more than 60% of the companies listed in the Amman Financial Market (AFM), the country's stock exchange (WB, 1995).

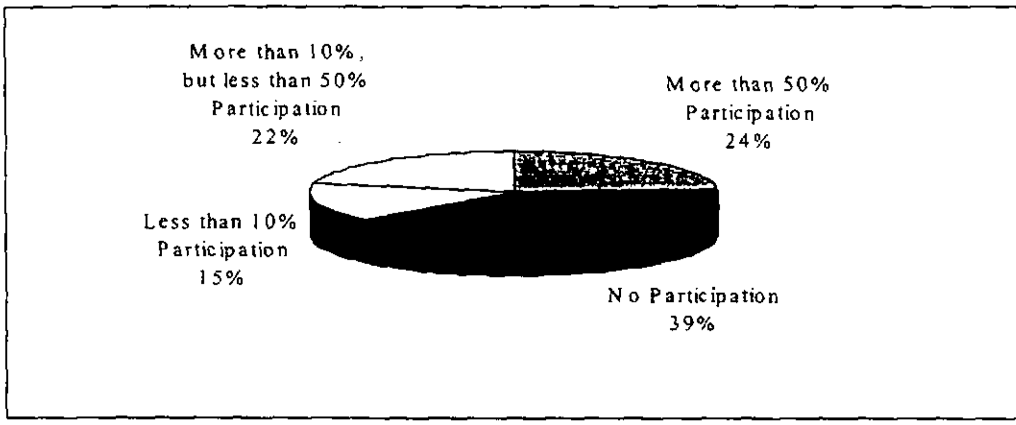
The Composition of the Public Sector[6]

The Jordanian state-owned enterprises are concentrated mainly in the infrastructure sectors: water; telecommunications; and transport services (public bus transport, air transport, and port services). However, through the Jordanian Investment Corporation (JIC), the state-owned investment agency, the government has substantial share-ownership in other sectors of the economy.

The Jordan Investment Corporation (JIC) was established in 1991 and is 100% owned by the government. Its assets are mainly investments in company shares, and its funding is mainly equity contribution from the government and dividends from companies. About 70% of JIC's investments are in manufacturing and mining. Ten companies account for more than 50% of total investments (at cost).

JIC has investments in 43 public shareholding companies (PSCs) listed in the Amman Financial Market (AFM) and, as noted above, these PSCs account for about 60% of AFM's capitalisation. More specifically, as shown in figure 2.1, the JIC owns more than 50% of shares in 24% of PSCs on the basis of their market capitalisation, and has a shareholding of 50% in another 37% of them. In addition, JIC has shareholdings in 28 unlisted joint-stock companies; in six of which it has a 50% or greater ownership share.

Figure 2.1 Participation of the Jordan Investment Company in Public Shareholding Companies (PSCs) – (Capitalised Value)



Source: World Bank Report, 1995. 'Jordan Private Sector Assessment'.

Privatisation and the Jordanian Labour Market

This section provides some background information on three issues relating to the Jordanian labour market which have implications for the privatisation of Jordanian public sector organisations. These are the way in which features of it have served to increase the importance and political sensitivity of public sector employment, the contrasting legal frameworks which regulate the individual employment rights of civil servants and other categories of employees, and the differing rights that civil servants and non-civil servants possess with regard to trade union membership and activity.

Jordanian Labour Market policy and public Sector Employment

Because of its modest natural resources, Jordan has historically placed considerable attention on developing its human resources (JMG, 1995). An important consequence of this has been that, in the context of limited domestic employment opportunities, the country has, with government encouragement, long been an exporter of skilled technical and professional labour, particularly to other Middle Eastern states region (UN, 1994:142). Thus, Wilson (1988: 326) has noted that:

'Jordan has the most highly educated and best trained workforce in the Arab World. Its workers have been in heavy demand in the Gulf States and Saudi Arabia. Jordanian citizens play an important role in the running of these economies, occupying key positions in government ministries and agencies, as well as in many service activities such as health and education'.

Hence, by the mid-1980s, approximately 46% of the Jordanian workforce worked outside the country (UN, 1994:142). This situation, in turn, had three important implications for the Jordanian economy. First, worker remittances from Jordanians working abroad came to constitute, as already noted, the largest single portion of the country's GNP. Secondly, labour migration resulted in selected shortages within the Jordanian workforce with the result that the need arose to import lesser skilled workers, primarily from Egypt. Thirdly, during periods of political and economic difficulties in the Middle East workers return to Jordan, thus creating problems for the country not only in terms of the loss of overseas remittances, but also with regard to absorbing them into the labour market (UN, 1994).

In fact, since the mid-1980s Jordan has been suffering from rising unemployment levels. Thus, the unemployment rate rose from 8.9% in 1988 to 18.8% in 1991 (RSS, 1996; JMG, 1995) and to 27.5% in 1998 (Al-Kasasbah, 1998). This rise in unemployment has been attributed to a number of factors. In addition, to the return of large numbers of Jordanians working abroad and an associated decline in 'out-migration' to the Gulf States these include (R.S.S., 1996; Ministry of Planning, 1999):

- An increase in the natural growth rate of the population to an average of 3.5% per annum and a consequent increase in the size of the labour force from 446,000 workers in 1979 to 920,000 in 1991 (Ministry of Planning, 1993) and to 1, 250,000 in 2001 (Ministry of Labour, 2002);
- An increase in foreign labour;

- An incompatibility between the outputs of the educational and training systems and the requirements of the domestic labour market;
- A decline in economic growth rates; and
- An increase in female participation in the labour force.

For social and political reasons, the government sought to respond to this situation by expanding recruitment in the public sector, to the extent that in 1993 around 51% of the country's labour force was employed in it. As a result, hidden unemployment was created within the public sector, which had a negative impact on its productivity and efficiency (RSS, 1996; Abu Jaber *et al*, 1991; Al-Kasasbah, 1998). At the same time, public sector employment became a highly sensitive political issue given its role in providing employment in a situation where alternative sources of work were limited.

Individual Employment Law

Individual employment rights in Jordan are regulated through two different legal systems: the civil service law, and the general labour law that applies to employees subject to the social security system. These two legal systems differ significantly in terms of the rights they provide to workers.

Employees subject to the civil service law cannot be made redundant, enjoy lower income tax rates, and have better pension rights and other benefits. For example, civil servants are able to retire after 20 years of service whereas those covered by the social security system need to reach a retirement age of 60 or 65. Meanwhile, in contrast to the job security provided under civil service law, the general labour law allows employers to dismiss employees under situations of restructuring or excess labour or for any other reason (Abu Jaber *et al*, 1991).

To confuse the matter further, public sector employees are divided into the following three categories and, as is shown below, these categories differ in terms of whether they fall within the jurisdiction of civil service or general labour law (Civil Service Commission, 1998):

- Classified Employees: include staff with permanent classified jobs specified in the national grading system and pay scale. Constitute the largest proportion of public sector workers and covered by the civil service law.

- Unclassified Employees: include staff with permanent unclassified jobs that are covered by their own specific grading and pay scales. Covered by the general labour law.

- Contractual Employees: comprise of staff whose services are subject to the general labour law and include:

    - employees who are appointed to specialised jobs and whose salaries are difficult to specify under the civil service pay structure;
    - temporary employees appointed to work on a specific project or to substitute for staff on leave; and
    - fixed-term contract employees.

Trade Union Membership and Activities

Trade unions in Jordan can only be formed with the permission of the Ministry of Labour. At present, there are 17 unions that between them have around 30% of the workforce in membership. Each of the unions is affiliated to the General Federation of Jordanian Trade Unions (GFJTU). The GFJTU actively participates in the International Labour

Organisation (ILO), and belongs to the Arab Labour Organisation, the International Confederation of Arab Trade Unions, and to the International Confederation of Free Trade Unions (ICFTU).

The GFJTU member unions regularly engage in collective bargaining with employers and hold negotiations over a wide range of issues, including salaries, safety standards, working conditions, worker lay offs, and health and life insurance. If a union is unable to reach agreement with an employer, the dispute is referred to the Ministry of Labour for mediation. If a settlement cannot be reached through mediation, the Ministry of Labour may, with the agreement of both parties, refer the dispute to an industrial tribunal for arbitration. If, however, only one party agrees to arbitration, then the Ministry may refer the dispute to the cabinet and then to Parliament. Should the Ministry fail to make such a referral within two weeks, the union may call a strike. However, the right to strike is considerably limited by the fact that permission must be obtained from the government before a strike can take place (Ministry of Labour, 2002; www.state.gov).

In fact, union activities are also the subject of a number of other legal restrictions and other forms of governmental intervention. For example, the government subsidises and audits the GFJTU's salaries, co-sponsors and approves the timing of trade union elections, and, more generally, monitors union activities to ensure that they comply with the law. Furthermore, under Jordanian law civil servants are prohibited from trade union membership and from engaging in strike action and collective bargaining. As a result, trade union organisation is concentrated in the private sector of the economy (ICFTU, 2003; www.state.gov).

The Evolution of Privatisation

As mentioned earlier, the privatisation programme was initiated in the early 1990s. However, by 1995 no real progress had been made in implementing this programme. This lack of progress reflected an absence of political consensus about the privatisation of state owned enterprises. The lack of political consensus over the programme stemmed from a number of considerations. These included, fears of foreign asset stripping; concerns about loss of revenue and national wealth by the divestment of state owned assets, especially those regarded as strategic (Al-Khalidi, 1998; Anani, 1997), and worries that privatisation would lead to higher prices and unemployment. In addition, doubts existed as to whether the local financial market had sufficient capacity to absorb a comprehensive privatisation programme – doubts that led to fears that such a programme would depress share prices with the result that it would not generate the desired revenue (Anani, 1997; Akel, 1997).

Fears of asset stripping and the notion that a strategic investor could provide a gateway for Israeli economic stranglehold, for example, formed an important part of the debates that took place on the proposals to privatise Jordan Telecommunications and Jordan Cement. So too did the concern held by many Jordanians that the World Bank and the IMF, in line with other arguments (e.g. IMF, 2003), act 'as agents for multinational corporations and banks', and consequently represent forces for another form of colonisation, namely economic colonisation.

With regard to the possible impact of privatisation on labour (Al-Nabulsi, 1999; Akel, 1979), this also reflected a number of distinct areas of concern. One of the most important of these was the threat of potential labour redundancies in a situation of high unemployment and against a background of the government bearing the main responsibility for employing nomadic Bedouins and people from East Bank origins -

people who have traditionally provided the backbone of popular support for the Hashemite monarchy (www.state.gov; World Bank, 1995). Another concerned the possible impact of privatisation on the pension entitlements of employees and, in particular, the threat that it would lead to workers being moved from the civil service pension scheme, under which a pension accrues after only 20 years service, to the less favourable Social Security Fund or less generous private pension schemes (World Bank, 1995).

As regards prices, there were fears concerning the affordability of social services and essential goods due the abolition of subsidies and the new owners' interest in making profit (Anani, 1997). Concerns were also voiced about the potential political implications of such developments. These last concerns were informed by the fact that when the government had reduced subsidies in 1999, in order to comply with the conditions of the World Bank and IMF's new structural reform programme, the subsequent increase in the price of bread spurred demonstrations and caused clashes with the police and the army, even in the stronghold cities of traditional support for the monarchy such as Maan and Karak.

These factors meant that there was a lack of strong central support from the government for the privatisation programme and a consequent absence of legal changes needed to support it. This lack of central direction was, moreover, compounded by a conflict between individual interests in relation to particular projects (Sweiti, 1997) as a result of the fact that the responsibility for carrying out a privatisation often rests with the management of a PE which may not be keen to privatise their own undertaking and subsequently lose control over it (World Bank, 1995). For example, the director of the state-owned Jordan Telecommunications Corporation (JTC) criticised the government's plan to sell 40% of its equity to a foreign firm for 'security reasons', and stated that 'if the government was adamant to sell some of its equity, priority should be given to Jordanian or Arab investors' (Ayyoub, 1998). In a similar vein, the chairman of the Jordan Cement Factories urged the government several times not to sell 30% of the firm's equity to a strategic partner (ibid).

Nevertheless, notwithstanding the above pressures and concerns, the Jordanian government did, eventually, decide to proceed with the privatisation programme in the face of World Bank and IMF pressures and the urgent need to bolster depleted foreign exchange reserves and obtain the IMF support to shore up its battered economy. However, such 'political contingencies' (Batstone *et al*, 1984) 1984) had important implications for the way in which the government went about the privatisation of its public enterprises (Al-Khatib, 1997; Fischer, 1997).

From the outset, the government sought to learn from the privatisation experiences of other developing and developed countries in order to enable it to develop strategies that would minimise the potential social and political problems stemming from privatisation. Thus, at an initial stage, a team consisting of representatives from Ministry of Finance and Ministry of Planning, as well as consultants from the World Bank, was set up to formulate the new privatisation programme. In embarking on this exercise, the team conducted detailed studies of the privatisation programme undertaken in the United Kingdom, Latin America and New Zealand (EPC, 2001). The government subsequently drew heavily on these studies when subsequently formulating its own privatisation programme.

More specifically, to allay fears about foreign asset stripping and loss of control over strategic national assets, it was decided to impose conditions on foreign investors that would enable the government to keep control over board decisions that could harm national interests. These conditions, which included the right of the government to hold a golden share and to use this to veto board decisions that were seen to conflict with such interests, were introduced despite the government's recognition that they might discourage foreign investors. In fact, this view was subsequently shown to be well-founded when some British and US firms lost interest in the privatisation of Jordan Cement Factories on the grounds that they were unwilling to accept anything less than full management control.

As regard the labour-related concerns identified above, the government decided to address these on a case by case basis. Nevertheless, in all the privatisations undertaken to date steps have been taken to protect employment security and address difficulties arising with regard to the loss of civil service pension entitlements through the purchase of additional years of service from the Social Security Corporation. For example, in some cases, provisions have been included in the agreements concluded with investors to ensure the continued employment of workers for at least two years, as was the case with those signed at Maen Spa and Jordan Telecommunications Company. Meanwhile, at Water Co, the government provided that civil servants would only be seconded, rather than permanently transferred, to the incoming foreign MNC, and at Aqaba Railway Corporation (ARC) it was provided, albeit after the privatisation had taken place, that employees not wanted by the new investor would be absorbed by various government departments (EPU, 2000).

The Development of a Privatisation Strategy

In response to this lack of progress, the World Bank published a report in 1995 which stressed the importance of speedy action being taken. In doing so, the Bank emphasised that a well designed and executed privatisation programme would aid the attraction of external investment, a rapid expansion in infrastructure, an improvement in efficiency, the development of the local capital markets, and fiscal consolidation. It also argued that launching a credible privatisation programme would be a powerful way to signal to the world Jordan's commitment to economic reform (Al-Fanek, 1997). The report further indicated that the government needed to take a more systematic approach towards privatisation and establish an appropriate structure for its management (World Bank, 1995).

In light of the above, in the second half of the 1990s the government developed an initial strategy for a privatisation programme which specified the shape and scale of privatisation, the mechanisms to implement the programme and the methods through which privatisation would take place (Prime Ministry, 1998). In this strategy, the government declared that it was withdrawing from the secondary and tertiary industries where the private sector operates. In addition, it announced its intention to divest its shareholding in other sectors with commercial functions, particularly those which operate in competition with the private sector, such as hotels, or where the private sector was able to operate freely in competition with others, such as cement (World Bank, 1997).

At the same time, the government stated that it had no intention to withdraw from specific vital activities such as health, education and social services, but instead would seek to encourage the private sector to participate in their production through such means as the building of private schools and hospitals, and the establishment of social co-operatives (Al-Kodah, 1998a). The government also proposed to keep its current share in some of the strategic industries and natural resources, such as phosphate, potash and water, but to allow the private sector, both local and foreign, to contribute to their expansion and operation through participation in new projects and the obtaining of management contracts (Al-Kodah, 1998a).

As regards the privatisation programme itself, it was decided that this would be implemented in two phases. The first phase was to encompass the partial divestment of the portfolio of Jordan Investment Corporation and the privatisation of the following: Jordan Telecommunication Corporation, National Electric Power Company, Jordan Cement Factories, Ma-in Spa Complex, Royal Jordanian Airlines, Public Transport Corporation, Aqaba Railway Corporation, and the Water Authority (Sweiti, 1998). The second phase would subsequently include the privatisation of the National Petroleum Corporation, the Arab Potash Company, the Jordan Phosphate Mines Company, and the Postal Service (Mansur, 1998).

Institutional Framework for Privatisation

To activate and ensure rapid implementation of the privatisation programme, the government established an institutional framework for privatisation in July 1996. The key elements of this organisational structure include the Higher Committee for Privatisation (HCP), the Executive Privatisation Unit (EPU), the Privatisation Steering/Directive Committees, and Work Teams (EPU, 2000).

A) The Higher Ministerial Committee (HMC)

The Cabinet-appointed Higher Ministerial Committee (HMC) is headed by the Prime Minister and comprises the economic ministers and heads of the concerned departments and institutions. To ensure transparency in the whole privatisation process, the Audit Bureau is represented in the HMC. The HMC supervises the Executive Privatisation Unit (see below), steers the overall privatisation programme and acts as the approval authority on the government's privatisation policy, objectives and programme (Al-Kodah, 1998b).

B) The Executive Privatisation Unit (EPU)

The privatisation implementation office at the Prime Ministry is called the Executive Privatisation Unit. Its main responsibilities include: co-ordination of the preparation of the privatisation transactions (selling method, valuation, legal work, financial audits, sales memoranda); management of the various teams of technical experts and external advisors; management of the marketing of enterprises being divested; negotiations with various groups of stakeholders such as the senior management of the enterprise to be privatised, the potential investors, the stock market and the financial advisors; execution of transactions; and dissemination of information regarding the progress of the programme (World Bank, 1996). In addition, the World Bank is providing technical and financial assistance to the EPU regarding the privatisation programme's implementation.

C) Directive Committees

A Directive Committee is usually formed for each project which includes the minister or director general of the sector to be privatised, the head of the Executive Privatisation Unit, and others, such as the head of the audit bureau. These committees oversee the privatisation process, facilitate communication and coordination with all relevant parties, and present recommendations to the Higher Ministerial Committee.

D) Work Teams

Usually work teams are formed in respect of the individual undertakings that are to be privatised. These teams comprise technocrats (specialists) from the related ministry or enterprise, representatives from the EPU, and the audit bureau, financial and legal consultants, and other experts. These teams follow up the preparation and evaluation operations and then submit recommendations to the relevant directive committees[8].

The legal and institutional framework for privatisation in Jordan was subsequently supported by the adoption of the privatisation law no. 25 of 2000. As a result, an Executive Privatisation Commission (EPC) was created to take over the role of the Executive Privatisation Unit (EPU), as an independent administrative and financial entity associated with the Prime Minister. In addition, a new Privatisation Council was established to take over the tasks and responsibilities of the Higher Privatisation Committee, and the new law mandated the creation of the Privatisation Proceeds Fund that would be used to pay the country's debts and support new investments. In addition, part of this fund's proceeds were to be used to train the laid off employees in the privatised companies and to buy years of pensions service for the employees who were to be transferred to the national insurance scheme after the privatisation of the organisations in which they were employed (EPC, 2001).

Forms of Privatisation

The Jordanian government adopted a multi-track strategy which encompassed a range of possible forms of privatisation. These included: Capital Privatisation; Sales to Long Term Investors; Concession Agreements; Management Contracts; Leasing; Franchising; and other modes, such as Build, Operate and Transfer (BOT), and Build, Operate and Obtain (BOO).

This multi-track approach was adopted so as to allow individual privatisation projects to be shaped in a way most appropriate to the nature, type, size, financial position and strategic importance of the enterprise concerned, as well as the aims of its privatisation (Gupta, 2000; Khandah, 2000). For example, in the case of water, which is seen as an essential resource, the government decided that rather than selling the Water Authority, it would opt for a management contract. On the other hand, in the case of more commercially based non-essential activities, like some of the holdings of Jordan Investment Corporation, the government opted to sell 100% of the shares of the enterprises to the public because such assets could be easily absorbed by the private sector.

Recent Progress in Privatisation

The progress in privatisation was slow and only began to be significant after August 1998, despite the establishment of the privatisation strategy and its related institutional arrangements. Prior to August 1998, most of the transactions were in abeyance or sidetracked by the same political issues and fears that had led to the original slow progress. Consequently the government needed to address these issues before privatisation could proceed.

The first breakthrough in the privatisation programme took place with the successful privatisation of Jordan Cement Factories in December 1998. The success of this deal involving, as it did, a foreign company, helped overcome fears about passing control to overseas investors and hence facilitated the subsequent progress of the privatisation programme.

Consequently, by August 2001, out of the eight major privatisation transactions identified in the first phase in Jordan's privatisation programme, six have been completed – Jordan Cement Factories; Public Transport Corporation; Water Authority of Jordan (WAJ); the Ma'in Spa Complex, the Aqaba Railway Corporation; and Jordan Telecommunications Company. In addition, a number of smaller transactions has been concluded including the selling of around forty of the Government's smaller holdings in the portfolio of the Jordan

Investment Corporation (EPC, 2001). Details of these transactions, as well as those planned for the future, are given below.

Main Transactions

1. Jordan Cement Factories (JCF): The government's first attempt to privatise JCF in autumn 1996 did not raise an adequate level of interest from the private sector investors due to the small proportion of the shares offered (20%), a lack of clarity on the government's tariff policy, and the limited time provided for investor "due diligence" exercises. To address these issues and revitalise the transaction, the government decided to increase the amount of shares to be sold to (33%), raise the price of cement and clarify the tariff policy while pursuing an aggressive marketing strategy.

At the beginning of November 1998, the Cabinet decided to sell 1.25 million shares (1%) out of the government shareholding in JCF, to the Jordanian employees working at JCF at a subsidised selling price of JD 1.5 per share. Subsequently, the government sold 33% of its JCF's shares to the French Company "Lafarge" on December 14, 1998. Accordingly, four representatives of Lafarge were elected to the board of directors of JCF. The proceeds of the sale amounted to $102 million, at a selling price of JD 3.6 per share, a figure that was substantially higher than the last market price on the Amman Financial Market (AFM) of JD 1.8 per share.

2. Water Authority of Jordan (WAJ): A performance-based management contract relating to the management of all water-related services within the Amman region, was signed on 19 April 1999 between the government and a consortium led by the French Company "Suez Lyonnaise Des Euax", with Arabtech Jardaneh as the local partner. A Regulatory body was also established within WAJ to monitor the performance of this contract. Under the contract, the operator was granted a four-year license to manage the distribution of water without loss of government ownership or control. The operator was also made responsible for running and managing the water network, maintaining it, and collecting fees on behalf of the Water Authority. In return, the company was to be paid a fee of $8.8 million through a water-linked loan from the World Bank of $55 million. If this contract succeeds, the government intends to adopt similar contractual arrangements in other parts of the water industry (Mansur, 1998).

3. *Jordan Telecommunications Company (JTC)*: 40% of JTC's shares were sold to France Telecom (FT) and the Arab Bank consortium for about US $508 million on 23 January 2000. A fee-based management contract was also awarded to the new technical/strategic partner (FT). Furthermore, 8% of the government's shares were sold to the Social Security Corporation, and 1% to the Employee Saving Fund of the JTC. The distribution of the board of directors' seats amongst the partners is proportional to their shares in the company; four to the government and three to the consortium.

4. *Ma'in Spa Complex:* A 30-year Leasing and Investment agreement for the management of the spa complex was signed at the end of October 1998 with a consortium led by the French Company "Accor", and a local Investor Group. The site was handed over to the consortium during March 1999 and the complex was inaugurated in June 2000. It should be noted that the government continues to own 78% of the company.

5. *Aqaba Railway Corporation (ARC):* A leasing, investment and operating agreement for 25 years was signed between the government and Raytheon/Winconson Central" on 18 August 1999 to upgrade and operate the existing Aqaba railway and build two new extensions -Wadi2 and Shediah. Under the agreement, the government retains ownership

of the railway network. In addition, the Ministry of Transport retains a role in the regulation, licensing and supervision of the corporation.

6. Public Transport Corporation (PTC): Agreements were signed on 19 November 1998 with three local bus-operating companies. Under these, companies were awarded "concessions/franchises" for ten years to operate (PTC) routes in the Greater Amman Area. A Public Transport Administrator (PTA) was also appointed to act as the regulatory agency for public transport in Jordan.

Other Transactions

Some of the JIC portfolio companies have also been divested through the Amman Financial Market. By 2001 the transactions had involved the divesture of shares in around 40 companies as follows:

- Divestures of shares of 21 companies with less than 5% government ownership
- Divesture of shares of 10 companies with 5-10% government ownership
- Divesture of shares of 8 companies with more than 10% government ownership.

Ongoing Transactions

Royal Jordanian Airlines (RJ): The financial, institutional and legal restructuring of RJ was completed in 2001. The Royal Jordanian Law was cancelled, and a new law - No. 13 (2000) transformed RJ into a shareholding company totally owned by the government. Subsequently, the RJ mother company was divided into a core business operating company, and five non-core support activities that were registered as independent companies and were offered for sale to the private sector. These non- core support companies consisted of: the Airport's Duty Free Shops; Jordan Flight Catering Company;

Engine Overhauling Centre; Jordan Airline Training and Simulation; and Aircraft Maintenance Centre.

As for the core business (aviation services), the government retained control over the national airline and intends to privatise it through the sale of 49% of the shares to a financial and/or a strategic partner. Currently, the RJ management and privatisation team are in the process of updating the information memorandum and bidding documents in preparation for the sale.

Power Sector: On 1 January 1999 the National Electric Power Company (NEPCO) was unbundled into three companies: Generation (CEGCO), Distribution (EDCO) and Transmission (NEPCO). The restructuring of the three companies to work on a commercial basis is now underway and a consulting firm has been appointed to conduct a study on electricity bulk tariff and the restructuring of the three new registered companies. This is viewed as a preliminary step towards privatising the generating and distribution companies. NEPCO – the transmission company - will, however, be retained by the government.

Conclusion

Since its inception as a state in 1921, Jordan has suffered from a variety of economic problems stemming from a number of factors: limited natural resources; export concentration in terms of the limited variety of exports and destinations; dependence on external financial aid and remittances from Jordanians working abroad; perennial instability stemming from the various crisis that have affected the Middle East region during the past five decades; and the nature and limitations of economic planning. These factors have resulted in a chronic trade deficit in the balance of payments, increased the vulnerability of the Jordanian economy to external regional and international economic and political developments, diverted Jordan's limited resources to military expenditures, and made it highly dependent on foreign assistance.

Notwithstanding the dearth of natural resources and the economic impact of the wars in the region in 1948 and 1967, the period 1973-1980 marked a new era within the history of Jordan's economic development due to the high levels of investments made as a result of increased financial aid, a growing demand for Jordanian labour and a subsequent rise in remittances, and favourable trade conditions in the wake of the oil boom in the Arab Gulf states. However, the unprecedented economic growth that Jordan enjoyed during these years came to an end by 1983 as a result of the economic recession in the Gulf States prompted by a fall in oil prices which led to declines in exports, external financial assistance and remittances from Jordanians. These negative effects on the Jordanian economy were compounded by the new wars in the region, particularly, the 1980 Iraq-Iran War. In response to this situation, Jordan resorted during the period 1982 - 1985 to short-term borrowing to meet its expenditures and in 1986 identified privatisation as a means to generate revenue.

The economic situation, however, continued to deteriorate. In large part this was due to a continuation of the above adverse economic effects. The impact of these was, however, compounded by the termination of the ten-year commitment of the Gulf States to aid Jordan economically. As a result, to maintain consumption at a bare minimum, the government approved increasing budget deficits and increased its borrowing to the point that, in 1988, the external debt rose to $6,444.6 million and the external debt service reached $1,301.4 million. Consequently, by 1989 Jordan faced an economic crisis as it was unable to pay its external debts, which constituted 180% of GDP, its reserves were wiped out, the country's currency had been devaluated by nearly 35%, and inflation reached 25.8%.

Against this background of economic crisis, Jordan embarked on an economic reform programme in 1989 with the aid the World Bank and the IMF to rein in the fiscal deficit and rebuild the reserves while liberalising the exchange rate. The plan also aimed at restructuring the economy at both the macroeconomic and sectoral levels in order to enhance growth, productivity, and efficiency. More specifically, the World Bank and the IMF agreed to extend financial assistance to Jordan in return for specific structural adjustments and reforms. However, Jordan had to adopt an amended economic adjustment programme for the period 1992-1998 after the suspension of the first one as a result of the Gulf War in 1991.

In light of the above adjustment programme, Jordan developed a new Economic and Social Plan for the period 1993-1997 which designated a major role for the private sector and confined the role of the government mostly to infrastructure-related projects deemed essential for stimulating private investment. Accordingly, the government initiated a privatisation programme in the early 1990s and started to open up some of the sectors previously closed to the private sector. Progress on implementing this privatisation programme was, however, initially very slow due to a number of factors, notably a lack of political consensus and strong central direction, and fears about the negative impact of privatisation on employment and prices, and the absorptive capacity of the Jordanian financial market.

Consequently, the World Bank published a report in 1995 in which it urged the government to speed up the privatisation process. Accordingly, in 1996 the government announced its privatisation programme and developed an initial strategy, which specified the shape and scale of privatisation, the mechanisms to implement the programme and the methods through which privatisation should occur. This privatisation programme is being implemented in two phases and so far six out of the eight major privatisation transactions identified in the first phase have been concluded. In addition, progress is being made in respect of the remaining two and steps have also been taken to start implementing the second phase of the privatisation programme.

Notes

[1] Interview with Dr Yusuf Mansur, former Director of the Aid Competitiveness Unit and the EU-Jordan Technical Support Unit, Ministry of Planning (July, 1999).

[2] Between 1980-90 Jordanian Debt increased by 37% to reach 201% of GNP or 190% of GDP (Mansur, 1989).

[3] The Jordanian Dinar devalued from JD 0.33 per US $ in October 1988 to the current managed floating position, of JD 0.67 (October 1989) per US $.

[4] The other principals of the 1993-1997 Plan were: Development and promotion of natural resources, particularly water and energy; development of the export sector by opening new export outlets, expanding traditional markets and training manpower in a manner commensurate with the needs of exploiting available resources and the requirements of industries and services enjoying a comparative advantage; striving for the balance between human and economic resources; and creation of further employment opportunities in the various production sectors, with the aim of achieving a reduction in unemployment to an acceptable level.

[5] The public sector consists of the Government and the public enterprises

[6] The discussion in this section excludes from consideration the "non-trading" part of the public sector, which embodies government ministries and departments. Employment in this part of the public sector is nevertheless significant.

[8] It should be noted that a range of legal reforms were introduced to facilitate the privatisation programme. For example, these have included: National Economy Protection Law of 1992; Companies Law of 1997; the Stock Exchange Law of 1997; the Investment and Promotion Law of 1995; the Income Taxation Law of 1995; the Jordan Investment Corporation Law of 1987; General Electricity Law of 1999; Telecommunications Law No. 13 (1995); Customs Law of 1998; Anti-Trust Laws; and Privatisation Law No. 35 (2000). In addition, regulatory bodies and commissions have been established for securities and telecommunications and others are going to be established for electricity and transport. Pricing regulations have been abolished and restrictions on foreign exchange have been totally removed.

CHAPTER THREE: MULTINATIONALS AND HUMAN RESOURCE MANAGEMENT

Introduction

The foreign investments of multinational companies (MNCs) are considered to be more important for the growth of the world economy than international trade (Harzing, 1995; Edwards *et al*, 1999; Edwards, 2000). At the beginning of the 1990s, it was estimated that one third of the world's private sector productive assets were owned by MNCs (UN, 1993), and they accounted for around two-thirds of world exports of goods and services (UN, 1996). It was further estimated that around 73 million people were employed directly by MNCs worldwide (UN, 1996), and a similar number were employed in firms who were supplying MNCs and were dependent on them (Ruigrok and Tulder, 1995). In addition, the United Nations has more recently estimated that there are 63,000 MNCs in the world, controlling 690,000 subsidiaries and selling goods and services valued at around $ US 14 trillion (UN, 2000; Edwards and Ferner, 2002).

In 1986, about one third of total employment in foreign affiliates was accounted for by MNCs subsidiaries in developing countries. In such countries, the output of foreign affiliates contributed, in 1994, more to gross domestic product than in developed countries: 9 per cent compared to 5 per cent. Moreover, the UNCTAD survey, conducted in 1995, showed that MNCs are increasingly incorporating developing countries into their future investments plans due to the sustained economic growth and continuing liberalisation and privatisation in these countries. Indeed, inflows of FDI to developing countries have been increasing steadily (UN, 1997).

Evidence suggests that MNCs' human resource strategies and policies are important to host countries as they have a distinctive impact on the level and structure of employment, training, wages and working conditions, and industrial relations (Dunning, 1993; UN, 2000; Debrah, 2001). Indeed, there are grounds for believing that the impact of MNCs' human resource strategies is likely to be more evident in developing countries. For example, in a comparison between the annual training expenditures per employee of a group of Nigerian enterprises, Iyanda and Bello (1979) concluded that MNCs spent six times as much as their local competitors (ILO, 1981). In addition, much of the training produced by MNCs tends to be higher in quality than that generally provided by the host country, particularly in developing countries, and more likely to be undertaken outside the nation economy, often within the parent company (ILO, 1981; Enderwick, 1994; Romijn *et al.*, 2000 cited in UN, 2000: 187). The literature also suggests that investments by MNCs and their cross border experience in people management, often help to restructure economic activities and upgrade human resources (Dunning, 1993).

Against this background, the present chapter provides an analysis of HRM within MNCs. To do this initial attention is paid to what is meant by a MNC and the related issue of whether a distinction can usefully be drawn between multinational (MNC) and Transnational (TNC) companies. The various models of MNC Human Resource Management (HRM) strategies, as well as the factors which influence them, are then outlined and discussed. Finally, the mechanisms used to implement these strategies are reviewed.

Multinational v Transnational

A definition widely accepted in academic and business circles, as well as by international organisations, such as the Organisation for Economic Co-operation and Development (OECD), and the United Nations Centre on Transnational Corporations (UNCTC), is that '*a multinational or transnational*[1] *enterprise is an enterprise that engages in foreign direct investment (FDI)*[2] *and owns or controls value-adding activities in more than one country*'(Dunning, 1993). It can be seen therefore that the terms 'multinational' and 'transnational' are often used interchangeably. For example, Dicken has argued that all multinational corporations are transnational corporations (1998), while Pitelis and Sugden (1991) conclude that MNCs and TNCs are '*essentially the same entities*'. Accordingly, they leave the choice of the terminology open.

On the other hand, some scholars and business analysts do draw a distinction between the two terms. They do so, however, on two rather different bases. The first group of scholars (e.g. Marginson and Sisson, 1994; Dunning, 1993; Cowling and Sugden, 1987) draw their distinction on the basis of whether an integrated management strategy exists. For example, Bartlett and Ghoshal (1998), make a clear distinction between the two concepts on the following grounds:

> '*MNC is a decentralised federation of assets and responsibilities, a management process defined by simple financial control systems overlaid on informal personal co-ordination, and a dominant strategic mentality that viewed the company's world wide operations as a portfolio of national business*' (1998: 56).
>
> '*... TNC is an organisation in which multidimensional management perspectives and capabilities are kept legitimate and viable, dispersed assets and resources are developed in a differentiated and interdependent network, and the whole system is integrated with a flexible co-ordinating process*' (1998: 296).

The second group takes another perspective based on the presence of a clear home base. For example, Hirst and Thompson (1996; 1999) define the two terms as follows:

> *'MNCs...retain a clear national home base; they are subject to the national regulation of the mother country, and by and large they are effectively policed by that home country' (1996; 1999: 9)*
>
> *'The TNC would be genuine footloose capital, without specific national identification and with an internationalised management, and at least potentially willing to locate and relocate anywhere in the globe to obtain either the most secure or highest returns'* (1996; 1999:11).

In practice, however, there are a number of problems associated with drawing a distinction between a multinational and a transnational along each of the above lines. These are discussed below.

Distinction on the Basis of Management Strategy

The presence of an integrated managerial strategy as a basis for distinguishing between a MNC and a TNC is problematic for two main reasons. The first is that the intensity and balance of forces for global integration and local responsiveness vary from one industry to the next. For example, where consumer tastes differ significantly between countries, multinationals are constrained in the extent to which they are able to integrate their activities internationally and tend to organise around national subsidiaries. Conversely, where tastes are similar, MNCs have more scope for cross-national integration and standardisation (Edwards *et al.*, 1999). Accordingly, Bartlett (1986), for example, claims that the cement industry would not particularly benefit from building global scale plants and scale economies due to logistical barriers. By contrast, industries such as electronics can benefit from integration and global scale production (Bartlett, 1986). Thus, it is argued that in some sectors older strategies remain since local-content requirements mean that

MNCs must serve a host country market via a multi-domestic strategy and stand alone-affiliates. However, the same firms may serve another market through a regional strategy with a complex integration of the main corporate functions (UN, 1993). Given that a MNC can therefore be managerially integrated in some parts of its business and not integrated in other parts, such differences create difficulties for an approach to the definition of transnationals based on managerial integration.

Secondly, in addition to the point that the nature of strategic integration may vary from one sector to another, there are a number of conceptual problems surrounding the notion of integration. In summary these are three fold. First, there is no consistent interpretation of what strategic integration means in the literature (e.g. Doz and Prahalad, 1984; Bartlett and Ghoshal, 1987a; Kobrin, 1991; Brewster and Larsen, 1992: 411; Schuler *et al*, 1993; Adler and Ghadar, 1990; Muller-Camen *et al.*, 2001; Edwards and Ferner, 2002). Secondly, there is no accepted approach in the literature to measuring it (e.g. Kobrin, 1991; Harzing, 2000a). Thirdly, since, by definition, strategic integration is a continuum, it becomes somewhat arbitrary as to where on the continuum a line is drawn to distinguish a strategically integrated organisation. For example, Komache (1996) maintains that:

> *'Integration: is a matter of degree: one extreme end entails the quest for "convergence" across borders and the application or imposition of 'universalist' practices, while a more moderate view might suggest the mere use of guidelines to influence policy implementation at the subsidiary level'* (1996: 233).

Distinction on the Basis of the Degree of Footlooseness

Hirst and Thompson define an MNC on the basis that it retains a clear national home base whereas a true TNC would be genuine footloose capital, without specific national identification. This view can be seen to accord with the views of writers like Ohmae (1990), and Reich (1991) who claim that a truly global economy has emerged, and that

MNCs are becoming 'stateless', owing allegiance to no nation state. Reich, for example, states that:

> *'We are living through a transformation that will rearrange the politics and economics of the coming century. There will be no national products or technologies, no national corporations, no national industries. There will no longer be national economies, at least as we have come to understand that concept...'.*

Some support for this view comes from evidence provided by the United Nations Investment Report (1993) which indicates that some MNCs have established functional headquarters outside their home countries which specialise in carrying out functions for all affiliates in a specific region. For example, Toyota Motor Management Services Singapore, a wholly owned affiliate of Toyota Motor Corporation-Japan, was established to co-ordinate transactions in components between Toyota affiliates in several Asian countries, and reports directly to the company's headquarters in Japan. Similarly, others like IBM, have established product-line headquarters, either regionally or globally. In addition, some MNCs, such as General Motors and Ford, have established regional headquarters in response to regional integration schemes.

Despite the changes mentioned above, however, much contrary evidence suggests that even the most global of companies remain deeply embedded in their country of origin (Ferner, 1994; Casper and Hancke, 1999). For example, the majority of MNCs conduct their research and development at home (Dunning, 1993), and have the majority of their assets and employment at home. This last point can illustrated by considering data from UNCTAD which ranks the largest 100 TNCs in the world in terms of a transnationality index (TNI) that measures the share of a company's activities taking place in a country other than its own on the basis of three ratios: foreign assets to total assets, foreign sales to total sales and foreign employment to total employment.

Dicken (1998) argues that if the 'global/transnational corporation' hypotheses is valid then it would be expected that at least the majority of these largest MNCs have the majority of their assets and employment outside their home country. However, examination of the transnationality index figures reveals no clear evidence to support the view that even the largest 100 MNCs are truly 'global' or 'transnational'. Thus, these show that the biggest MNCs in terms of total foreign assets all have relatively low transnational index scores. For example, the largest MNC (in terms of foreign assets), General Electric, ranks 75th on the index of transnationality; the fourth, GM, ranks 83rd; the sixth, Toyota, ranks 82nd (UN, 2001). Hence Dicken (1998; 2003) argues that '*not only are there very few, if any, truly "global" corporations but also TNCs remain strongly affected by specific national and local environments*'.

This conclusion is echoed by others. For example, Hirst and Thompson (1999: 84) conclude that '*in the aggregate, international companies are still predominantly MNCs with a clear home base to their operations and not TNCs which represent footloose stateless companies*'. Similarly, Hu (1992), who suggested criteria for evaluating the extent to which TNCs are stateless, has concluded that '*...the TNC is a national corporation with international operations...*'. Indeed, Yip *et al.* claim that '*for the vast majority of MNCs, the original and current countries of corporate headquarters and of most business headquarters are still the same*' (1997: 366).

More generally, a further problem with the transnationality index is that, as with management integration, it raises the question as to at what point on its continuum of transnationality a corporation moves from MNC to TNC status. In support of this view, Dunning (1993:3) argues that '*there is no escaping the fact that the choice of the point at* *which an enterprise is deemed to become a multinational – not to mention a global corporation – is bound to be arbitrary'.*

Doubts can also be raised about the validity of the index itself. Thus, the index is based on foreign direct investment data, that is, foreign assets owned overseas (Dicken, 1998: 177). However, an increasing number of MNCs are engaging in cross-border non-equity, co-operative ventures, such as licensing agreements, franchising, subcontracting and strategic alliances, which are not taken into account in FDI data (Luostarinen and Welch, 1990; Dunning, 1993; Marginson, 1994; Dicken, 1998; UN, 2000; Rugman, 2001). For this reason, Rasmstetter (1998: 208 cited in Hirst and Thompson, 1999: 87) has argued that '*...FDI-related indicators are rather poor indicators of foreign MNC presence...*'.[3]

In summary, a number of authors and political/economic institutions do not differentiate between the two terminologies of MNCs and TNCs and use them interchangeably. Others, however, have tried to distinguish between the two terms and sought to do so on two different grounds: the existence of an integrated managerial strategy and the presence of a clear home base.

In practice, however, it is very difficult to operationalise these distinctions and draw a clear distinction between an MNC and a TNC. Therefore, in this study it has been decided to amalgamate the two concepts and use the term 'MNC' in the following way:

> '*A MNC is a firm which has the power to co-ordinate and control operations in more than one country, even if it does not own them*' (Dicken, 1998: 177; 2003: 198).

Multinational Human Resource Strategies

HRM is increasingly viewed as a crucial component of a firm's overall corporate or business strategy (Myloni and Harzing, 2001), and a growing body of research is developing on the human resource strategies and policies of multinationals (Schuler *et al.*, 1993; Taylor *et al.*, 1996). This research indicates that multinationals differ significantly in terms of the way in which they approach the management of human resources in their overseas operations (Ferner, 1994; Dowling and Schuler, 1990).

A useful starting point in terms of considering the human resource strategies of MNCs is the work of Perlmutter (1969) since this has made a seminal contribution to the literature. Perlmutter originally identified three broad strategies: ethnocentric, polycentric and geocentric. A fourth strategy, regiocentric, was later added (Heenan and Perlmutter, 1979).

According to Perlmutter (1969), a company with an "*ethnocentric*" strategy applies HRM policies and practices in its foreign subsidiaries similar to those adopted in its home country. Overseas subsidiaries, consequently, tend to be wholly-owned and expatriates, managers from the source country, are used to staff key managerial positions everywhere in the world to transfer headquarters' culture and philosophy. In a similar vein, the board and top management in the headquarters are from the home country and the parent company's organisational culture is considered superior to that of the subsidiaries. Accordingly, personnel management is highly centralised.

At the opposite extreme is the "*polycentric*" strategy, which is described by Perlmutter (1969) as *'a loosely connected group with quasi-independent subsidiaries as centres - more akin to a confederation'*. Thus, according to the Perlmutter, under a polycentric strategy local environmental factors are given greater weight, and top executives assume that people are different in every country. As a result, human resource management tends to be decentralised to subsidiaries and there is no overall personnel policy at group level (Perlmutter, 1969; Heenan and Perlmutter, 1979).

Differently again, a regiocentric strategy, in Perlmutter's view, is one in which the parent company tries to blend its own strategic interests with those of its subsidiaries on a regional basis, most often by operating regional offices staffed by managers appointed from the same region (e.g. IBM-Europe). As a result, the regiocentric firm utilises a wider pool of host- and third-country nationals to manage subsidiaries on a regional basis, such as the European Union region or the Middle East region. Mobility is important inside one region and the HRM policy is generally defined at regional level.

Finally, the geocentric strategy is one in which, Perlmutter (1969) argues, the MNCs devise and implement a universal (common) company-wide HRM policy for all its subsidiaries, fostered through an organisational culture and philosophy which could be an amalgam of a number of different local cultures. According to Perlmutter, the ultimate goal of a geocentric strategy is a worldwide approach in both headquarters and subsidiaries. Consequently, it is argued that 'the firm's subsidiaries are thus neither satellites nor independent city states, but parts of a whole whose focus is on worldwide objectives, as well as local objectives, each part making its unique contribution with its unique competence'.

A variety of studies have been done since Perlmutter's original work to try and analyse the human resource strategies of MNCs and construct typologies of them. Table 3.1 below shows the most important of these, as suggested by Harzing (2000a).

Table 3.1Overview of Typologies of Multinational Companies

Author (s)	Year
Perlmutter	1969
Stepford and Wells	1972
Doz	1980
Porter	1986
Bartlett	1986
Prahalad and Doz	1987
Bartlett and Ghoshal	1987
Meffert	1989
Gerportt	1990
White and Poynter	1990
Adler and Ghadar	1990
Roth and Morrison	1990
Roth, Schweiger and Morrison	1991
Sundaram and Black	1992
Leong and Tan	1993
Ghoshal and Nohria	1993
Macharzina	1993
Welge	1996
Wolf	1996

Source: Harzing (2000a)

In many of these studies Perlumutter's models have been explicitly used and found useful. Indeed, over the past thirty years Perlmutter's strategies have been widely applied by a wide range of academics, scholars, and researchers (e.g. Marginson *et al*, 1993; Kobrin, 1994; Marginson and Sisson, 1994; Ferner, 1994; Rosenzweig and Nohria, 1994; Caligiuri and Stroh, 1995; Ngo *et al*, 1998; Coller and Marginson, 1998; Belanger and Giles, 2001; Dorrenbacher, 2001; Myloni and Harzing, 2001). Nevertheless, a number of other alternative typologies have been put forward. For example, Adler and Ghadar (1990) classified the typologies of MNCs in terms of the MNC's Product Life Cycle, while in another study Bartlett and Ghoshal distinguished between four typologies: the multinational, the international, the global, and the transnational (see further below).

Nevertheless, on a close reading, these typologies overlap considerably with those developed by Perlmutter and his colleagues (Caligiuri and Stroh, 1995). Indeed, Bartlett and Ghoshal, in relation to their own typology, which is the one most often utilised other than Perlummer's (Harzing, 1999, 2000a; Edwards, 2000), make this exact observation as the quote below shows:

> *'The concept closer to our view, and the one that has substantially influenced our approach and interpretation, is in the seminal work of Perlmutter (1969). He developed a typology of different multinational mentalities or cognitive orientations toward international business and this typology remains as valid today as it was when proposed over two decades ago. He classified multinationals as ethnocentric, polycentric, and regoecentric: The first refers to an approach of home country dominance that is central to the centralised lab model we have described; the second describes companies that treat each subsidiary on a country-by-country basis, similar to our model of the decentralised federation; and the third identifies companies that develop a cosmopolitan and integrative style – an approach that is similar to the organisational form we described as the transnational'* (Bartlett and Ghoshal, 1998: 355).

Against this background, a number of authors have argued that Perlmutter's distinctions have stood the test of time. For example, Evans (1987) noted:

> *'A review of research since the late 1960s shows that our understanding of the human resources strategies of multinational firms has advanced little since the pioneering studies of Perlmutter into the meaning of multinationalism that led to his Ethnocentric – Polycentric – Regiocentric – Geocentric typology'* (Adler and Ghadar, 1990: 235)

More recently, in a similar vein, Belanger and Giles (2001) have observed that:

> *'Perlmutter's distinction between "ethnocentric", "polycentric" and "geocentric" orientations has stood the test of time and remains useful'.*

In light of the above assertions, it would seem that Perlumutter's typology remains relevant today and for this reason the present study uses it as an essential reference point. Nevertheless, in using this typology it is recognised that some authors have argued that it is difficult to classify MNC neatly into such a typology since factors, like the host country environment, limit the MNC's freedom to choose among the strategies suggested by Perlmutter and force them to adopt hybrid strategies to meet the different specific local requirements of subsidiaries (Tayeb, 1998; Dowling and Schuler, 1990). Moreover, other authors have argued that Perlmutter's typology describes management practices of the

MNC in terms of an overall orientation, which may not take into account the internal differentiation of management practices within a MNC (Hedlund, 1986; Bartlett and Ghoshal, 1989; Ghoshal and Noria, 1989 – cited in Rozenweig and Nohria, 1994). These authors consider that the organisation is made up of many separate practices, some of which may be more sensitive to pressures of local isomorphism than. As a result, it is claimed that Perlmutter's typologies may not be sufficient to capture the complexity within MNC-subsidiary relationship (Rozenweig and Nohria, 1994: 230).

Determinants of MNCs' Strategies

Research indicates that there are a number of factors which influence the multinational corporations' choice of HRM strategy (Beechler and Yang, 1994; Welch, 1994; Ngo *et al*, 1998; Bae *et al*, 1998; Dowling *et al.*, 1999). These factors fall under six broad headings: the home country of the MNC and factors related to it, such as national culture and the extent to which it affects the company's administrative heritage and philosophy; the characteristics of the industry in which the MNC operates and related international strategy and organisational structure; the stage of an MNC's internationalisation; the characteristics of subsidiaries; and the host country's market conditions, culture and labour relations.

The Country of Origin

MNCs remain heavily 'nationally embedded' (Hirst and Thompson, 1996). In 1986, 66.2% of MNCs' employment was in their home nations (Dunning, 1993). Moreover, of the world's largest one hundred enterprises, only eighteen companies have the majority of their assets abroad, and only nineteen maintain at least half of their workers abroad (Ruigrok and van Tulder, 1995). Furthermore, home country sales still dominate MNC activity and between 70% and 75% of MNC value added is produced in their home territory (Hirst and Thompson, 1996).

Evidence also shows that only a limited number of the largest one hundred firms in the world list their shares on foreign stock exchanges, and only a few of them maintain over 10 % of their shares abroad (Ruigrok and van Tulder, 1995). Even German companies, which have a larger percentage of shares abroad, confine their possession to neighbouring German-speaking countries. In addition, a survey of the largest one hundred firms revealed that the management boards of MNCs rarely have foreigners. For example, it found that this was true of only five of the thirty US firms, two of the twenty Japanese companies, four of the fifteen German firms, one of the eight French companies, and two of the four Italian firms (Ruigrok and van Tulder, 1995). Finally, very few MNCs, if any, have moved their headquarters and decision-making outside their home country (Dicken, 1998), and the majority of research and development (R&D) is still concentrated in their home nation (Dicken, 1998; Dunning, 1993).

It seems, then, that the evidence given above supports Porter's view that: *'the home base is the place from which competitive advantage ultimately emanates..., and that the role of location, particularly of the home base, is far greater than once Porter supposed'* (Porter, 1998).

This strong national base of MNCs has been claimed to have implications for HRM. Several studies have found US MNCs to be more centralised and formalised, and hence ethnocentric (Hedlund, 1981; Young *et al.*, 1985), and to act therefore as 'innovators' by importing into host countries new practices, such as productivity bargaining, multi-year agreements and performance related-pay (Enderwick, 1985, cited in Ferner, 1994). The same has been noted in respect of Japanese MNCs (Oliver and Wilkinson, 1994).

By contrast, European multinationals are claimed to be polycentric in that they tend to be less centralised and grant their affiliates a relatively high degree of autonomy, as they place more weight on the local environment. Accordingly, performance standards, incentives and training methods are different from headquarters (Perlmutter, 1969), and industrial relations policy-making is more decentralised (Ferner, 1994).

At the same time, and notwithstanding these differences, other research findings show that certain issues are more susceptible to the influence of the home country than others (Rosenweig and Nohria, 1994; Young *et al.*, 1985). In the area of HR/IR, for example, many basic issues are subject to strong legal or customary regulation in the host country in which a subsidiary operates, such as policies on bargaining levels, union recognition, forms of workplace representation, employee participation, and working hours (Ferner and Quintanilla, 1998; Ferner, 1994). Conversely, some policy issues are less regulated by local laws and labour market institutions, such as compensation systems, management development, work organisation, and employee communications and hence are more susceptible to country of origin influence (Ferner, 1994; Ferner, 1997; Edwards, 1998a).

A number of factors have been identified as contributing to this country of origin effect. The most important of these are encompassed in two theoretical approaches: the "culturalist" and the " institutionalist".

The Culturalist Approach

Some researchers claim that corporate culture is often shaped by aspects of the national culture in which the MNC originated (Hofstede, 1980, 1991, 2001; Adler, 1991; Laurent 1983; 1986; Ferner and Edwards, 1995). One of the most cited empirical studies is Hofstede's (1980) massive work on national culture which revealed major national differences in such factors as 'power distance' (measuring autocratic versus democratic styles of management); 'uncertainty avoidance' (measuring the degree of tolerance for uncertainty in the future); 'individuality' (individualism versus collectivism); and 'Muscularity/Femininity' (degree of masculine assertiveness). Hofstede's investigation is relevant to this study because both power distance and uncertainty avoidance are seen to have strong implications for the manner in which organisations are structured and how power is distributed within them (Erramilli, 1996).

Hofstede concluded that in countries, such as France, with a high Power Distance Index (PDI) the management style is autocratic and paternalistic. Decision-making is centralised, with tall hierarchical structures and a large proportion of supervisory personnel. By contrast, in low power distance index countries, such as the UK, USA and Austria, the management style is democratic, authority and decision-making is more decentralised, and there is more scope for consultation between managers and subordinates.

As regards the Uncertainty Avoidance Index (UAI), Hofstede concluded that managers from high UAI countries, such as, France, certain Arab countries (Hickson and Pugh, 1995), Belgium, Germany and Japan, attempt to avoid uncertainty and risk by developing rules, seeking standardisation and establishing more structured and hierarchical organisations. Conversely, managers from low-UAI countries, such as the UK, USA and Sweden, are more flexible, and more willing to take risks and to delegate responsibilities. As a result, they tend to have less structured organisations and fewer written rules (Hofstede, 1991).

Ferner (1997), however, argues that Hofstede's approach to national culture should be treated with caution as it implies that national culture is an inherent immanent property of nations, which is static in nature. This note of caution does, moreover, receive some empirical support. For example, Schmidt (1993) argues that the authoritarian and bureaucratic French management style has been transformed in recent years as their management practices have become more dynamic, less autocratic and less centralised.

The Institutionalist Approach

In light of the above weaknesses, other scholars (e.g. Whitley, 1999a) have adopted the institutional or structural approach of the national business systems (NBSs) in order to explain the influence of country of origin on multinationals' behaviour. According to Ferner and Quintanilla (1998), NBSs *'can be seen as "clusters" of interlocking institutional and business-cultural elements'*. Similarly, Whitley (1992) sees them to constitute a range of social institutional factors, such as labour and product market organisations, political systems and legislative frameworks, educational and training arrangements, and corporate governance systems.

Those who emphasise the influence of NBSs, therefore, argue that the historical and economic institutional settings within which an MNC is embedded acts to shape its behaviour in terms of such things as work organisation and modes of control. Consequently, it is further argued that since these institutions continue to differ across countries, so too do the strategies and practices of companies (Edwards, 1998a).

One particular stand of NBSs that has been particularly emphasised in terms of influence is that of their different systems of corporate governance (Edwards, 1998a). According to Marginson and Sisson (1994), companies from different countries of origin exhibit one of two forms of corporate ownership, labelled respectively, the 'insider' and 'outsider' systems of corporate governance. The insider system – associated with companies from continental Europe - is characterised by interlinked networks of shareholding, a long-term bank credit financial system, a lower risk of hostile take-overs, a smaller role for stock markets and an emphasis on longer-term corporate performance. By contrast, the outsider system – associated with Anglo-American companies - is characterised by hostile take-overs, highly developed stock markets, the primacy of shareholder interest, and an emphasis on short-term financial returns.

Marginson and Sisson (1994) go on to argue that insider and outsider systems affect the management policies of MNCs. Within the insider system, employees are more likely to be regarded as possessing stakeholder rights and to constitute enduring assets who form a potential source of competitive advantage. Accordingly, companies in France and Germany tend to invest more in human resources and tend to have more stable and higher expenditures on training and development than Anglo-American companies. Conversely, companies from outsider systems tend to consider employees as a disposable cost to be minimised, and to offer them fewer stakeholder rights. Consequently, investment in human resources, in terms of expenditure on training and staff development, tends to be low and relatively unstable.

The research evidence relating to the significance of corporate governance structures basically relates to two issues: systems of control, and training and development. This evidence tends to show that multinationals from different national origins do, in fact, differ in relation to these two issues (Egelhoff, 1994; Erramilli, 1996). For example, companies originating from outsider systems, such as the UK and the USA, where there is an emphasis on short-term shareholder value, are more likely to have world-wide systems of performance management, and to exert tighter financial controls than Japanese, French, German or Italian MNCs (Ferner and Quintanilla, 1998; Edwards *et al.*, 1996). By contrast, companies originating from insider systems, such as continental Europe, tend to place more reliance on personal relationships and corporate culture to control subsidiary practices (Tregaski, 1998). For example, German MNCs, have been found to place more value on production and commercial activities, and to rely more on informal feedback and communications than on formal financial controls (Ferner, 1997; Ferner and Quintanilla, 1998).

Comparative studies have similarly revealed that there are national differences in the way companies approach managerial careers and management development. Evans *et al.*, (1989), for example, have identified a number of national models – the Japanese, the Latin European, the Germanic, and the Anglo-Dutch. For instance, they have argued that Japanese and French companies rely on elite recruitment. Hence, the selection of potential top managers takes place at entry and firms place a great value on academic qualifications, and the career progression of the new recruits is a 'tournament'. In contrast, entry is seen as less elitist in Anglo-Saxon counties, with career progression being based more on experience than qualifications.

However, notwithstanding this evidence on the influence of systems of corporate governance and national business systems, more generally, in recent years there has been a growing argument that NBSs are becoming less important because of the convergence of many MNCs from different country of origins towards a single globally integrated model, whereby similar activities, strategies, structures and HR policies and practices have been adopted due to globalisation and new world political and economic orders (Dicken, 1998; Ferner, 1997; Sparrow *et al.*, 1994).

This hypothesis of convergence is based on the assumption that changes in employment relations are influenced not only by national systems but also by wider global factors. For example, in the case of Europe, it is argued that there is a tendency towards common characteristics of employment conditions as a consequence of the economic, technological and social integration of the European Union (Baldry, 1994; Andersen, 1997). Thus, Marginson (2000) argues that this has led to the creation of European regional structures at the European level (e.g. Coller, 1996), and the development of a regional dimension to the management of the European operations of MNCs headquartered outside Europe (e.g. Mueller and Purcell, 1992; Martinez Lucio and Weston, 1994).

In a similar vein, Ferner and Edwards (1995) argue that differences between national institutions in Europe are being eliminated by the increasingly strong supra-national framework provided by EU regulations, thus increasing pressures towards the convergence of national systems of labour regulations. Consequently, it is argued that the resultant homogenisation of production, employment and work practices is not only leading to '*corporate or organisational isomorphism*'[4] (Ferner, 1997; Coller and Marginson, 1998), or '*internal convergence*' (Belanger *et al.*, 1999), where, for example, the employment practices of Ford in Germany, Spain or Britain increasingly resemble each other (Ferner and Hyman, 1998), but also to a situation whereby different MNCs are adopting similar approaches. For example, evidence shows that MNCs from France, Germany, Italy and other European countries are trying to respond to competitive pressures by 'Anglo-Saxonising' (Ferner and Quintanilla, 1998; Sparrow *et al.*, 1994). Similarly, Andersen (1997), in his study of the restructuring of employment in British and Danish banking concludes that there is considerable evidence of convergence between the two countries. Further evidence also supports the hypothesis of convergence. For instance, a study of 2,961 firms from twelve countries showed a convergence in the human resource policies and practices across borders (Sparrow *et al.*, 1994). Accordingly, it is argued that MNCs are becoming a force of the homogenisation of labour practices (Coller, 1996; Reich, 1991).

Stage in the Internationalisation Process

The literature reveals that organisations go through a learning process as they move towards becoming international. This process might be long and very gradual or it might take place in stages (Welch, 1994; Harzing, 1995; Dowling *et al.*, 1999).

Researchers argue that the degree of an MNC's internationalisation and the related experience of its managers, influence international human resource policies and practices, as well as the structures and control mechanisms used within multinationals (Schuler *et al.*, 1993; Dowling *et al.*, 1999). For example, case study evidence from four Australian firms shows that firms in the early stage of internationalisation use standardised systems and procedures, and adopt an ethnocentric staffing policy to achieve a high level of centralised control. By contrast, mature firms are less centralised and are polycentric or moving to geocentric staffing policies (Welch, 1994). In a similar vein, a study by Dowling (1989), which surveyed international HR directors, revealed that firms with more years of overseas experience had a more diverse set of HR practices than those with less years of experience (Schuler *et al.*, 1993). This suggests that firms with longer established international operations are likely to change their HR practices to accommodate local or regional demands, while less experienced MNCs will have a predominantly ethnocentric IHR orientation as they are likely to assume that a unified set of HR practices can be implemented everywhere (Schuler *et al.*, 1993).

Research evidence also suggests that the stage of internationalisation impacts on the control systems used by MNCs. For example, Hedlund's (1981) empirical study of six Swedish MNCs and twenty-four subsidiaries found a causal and positive relationship between the autonomy of the subsidiary and the international experience of the parent company. In a similar vein, Prahalad and Doz (1981) argue that MNCs maintain central corporate control in the early stages of internationalisation, since subsidiaries depend on headquarters for capital, technological know-how, and skilled managerial and technical resources. But as subsidiaries become established, they develop these capacities themselves, and the task of corporate strategic control becomes more difficult and diffused (Evans *et al.*, 1989).

Industry Characteristics, Strategy and Structure

The literature indicates that the international strategy and organisational structure of MNCs further influence their HRM approaches (e.g. Dowling and Schuler, 1990; Marginson, 1992; Marginson *et al*, 1994/95; Dowling *et al.*, 1999). At the same time, it is argued that these two factors are influenced and related to the sector in which MNCs operate, reflecting differences in patterns of international competition (Porter, 1986; Ferner, 1994; Edwards *et al.*, 1999). In particular, it is argued that the nature of product competition shapes both the extent to which MNCs integrate production in different countries and also their international business structures (Edwards *et al.*, 1999). Hence, Porter (1986; 1998) argues that where competition is highly internationalised, MNCs attempt to '*capture the linkages across borders*'. In contrast, where competition is largely local or national, the MNCs make little attempt to generate linkages between operations in different countries. Thus, Schuler *et al.* (1993) argue that the type of business/industry is a major factor influencing international HR policies and practice.

A number of authors have written about the environment, strategy and structure of MNCs. The most influential of these are Bartlett and Ghoshal (Harzing, 1999:36; Edwards, 2000:121; Richey and Wally, 1998). These authors, as noted earlier, have delineated four types of organisational models: the multinational/multi-domestic, the international, the global and the transnational, and linked the use of these models to industry characteristics.

The multinational model was found to operate in industries where competition in each country is essentially independent of competition in other countries (Porter, 1986). Accordingly, companies in these industries follow a multi-domestic strategy, which gives primary importance to national responsiveness. Thus, products are differentiated to meet differing local demands and policies are differentiated to conform to differing governmental and market demands. The resulting organisational structure is described as a decentralised federation in which control and co-ordination are primarily achieved through the personal relationships between top management and subsidiary managers, supplemented by some simple financial systems. The reporting system is hierarchical. That is, the top manager in each subsidiary is in charge of operations and reports to the head of an international division and/or product division of the parent firm. Consequently, the HR department's role in such a company will most likely be more domestic in structure and orientation and thus, focus more on developing practices for local environments and staffing the local operations with local nationals (Dowling *et al.*, 1999). Hence, generally speaking, the main role of the HR function would be to support the primary activities of the firm in each domestic market.

Secondly, the international company was found to adopt an innovation strategy under which innovations are created at headquarters to reduce costs, increase revenucs, or both. In such companies, strategic decisions and ideas are therefore developed at headquarters and subsidiaries implement them (Schuler *et al.*, 1993): although local subsidiaries may be free to adapt the new products or strategies. The resulting organisational structure is what Bartlett and Ghoshal described as a co-ordinated federation (Bartlett and Ghoshal, 1998), in which the parent company makes greater use of formal systems and controls in headquarters-subsidiary links. Consequently, HR policies are more centralised than in multinational companies.

Thirdly, the global company was found to operate in global industries where standardised consumer needs and scale efficiencies make centralisation and integration profitable. In this kind of industry, a firm's competitive position in one country is significantly influenced by its position in other countries. Thus, firms in this type of industry are said to follow a global strategy which gives primary importance to efficiency, and requires a high level of integration, which, in turn, demands high levels of coordination and control of activities across the MNC subsidiaries (Gupta & Govindarajan, 1991; Rosenzweig & Singh, 1991; Taylor *et al.*, 1996). Thus, global companies integrate and rationalise their production to produce standardised products in a very cost-efficient manner, and its structural configuration is described as a centralised hub.

In a global industry the "imperative for coordination" noted by Porter therefore requires an HRM function structured to deliver the international support required by the primary activities of the multinational (Dowling, 1999). Consequently, strategic international human resource issues focus on operating the MNC as a singular global operation. Thus, global firms are more likely to have formalised and centralised HR policies, as the units tend to be coordinated by directives from the centre and local managers have modest autonomy (Schuler *et al.*, 1993: 747). Specific examples are worldwide policies on open-door grievance procedure, single status, union recognition, performance evaluation, compensation, and the monitoring of human resource management through opinion surveys that compare the performance of business units and divisions.

The fourth organisational model proposed by Bartlett and Ghoshal is the transnational, which is seen as most appropriate for managing subsidiaries that face complex environments. Hence, companies in transnational industries must respond simultaneously to the diverse and often conflicting strategic needs of global efficiency (as a characteristic of global industries), national responsiveness (as a characteristic of multi-domestic industries) and knowledge transer (as a characteristic of international industries). Thus, Bartlett and Ghoshal (1989) advocate that the transnational strategy seeks to obtain global efficiency, national responsiveness and worldwide learning at the same time (Bartlett and Ghoshal, 1987b). In order to do this the strategy must be very flexible. It demands a complex process of co-ordination and co-operation involving strong cross-unit integrating devices, a strong corporate identity, and a well-developed worldwide management perspective. The authors claim that the transnational MNC is more of a mentality than a structure and therefore seeks sophisticated human resource management systems and requires individuals who are able to be concerned with local and global needs. Thus, it uses systems of recruitment, training and development and career path management to help individuals cope with its diversity and complexity. (Bartlett and Ghoshal, 1991:70-1). Hence, normative control mechanisms, such as corporate culture and a widely shared awareness of central goals and strategies become more important.

To summarise, one can say that the multinational company involves no inter-subsidiary diffusion in any direction. The international and global are both concerned with the deployment of central expertise in the foreign units and hence the transfer of parent company HRM practices to subsidiaries. The transnational involves firms attempting to develop, transfer and diffuse specialist knowledge, skills and HRM practices from one part of the organisation to another, with no particular primacy being given to those used in the home country.

Bartlett and Ghoshal (1998) subsequently argue that as a result of major changes in the world economy, such as advances in information technology, some cross-national convergence in demand patterns and the intensification of international competition, MNCs have in recent years adopted complex integration strategies, and hence it is the transnational model that is becoming most important. This argument, moreover, fits with the arguments advanced by other authors that, against the backcloth of these forces, the trend is towards more decentralised, 'loosely coupled' political systems, or 'network'-based international operations, or 'heterarchical' structures (e.g. Hedlund, 1986; Marginson and Coller, 1998; Fergeson *et al.*, 1992 cited in Edwards, 2000; Ferner, 2000; Ferner and Varul, 2000a), where authority and control are diffused across the organisation to subsidiaries, with relationships between these units being bargained rather than hierarchical. This also implies that Perlmutter's (1969) geocentric typology is becoming more important as suggested by Perlmutter himself, who indicated that MNCs would eventually move from an ethnocentric or polycentric approach towards a geocentric one.

At the same time, it is argued that this shift towards greater integration and the development of more complex information flows does not necessarily mean the development of more centralised management structures. In other words, organisations can seek to acquire greater co-ordination while simultaneously trying to devolve some decision making down to lower levels of the organisation. For example, Ferner and Hyman (1998) argue that MNCs are moving towards what they call '*centrally co-ordinated decentralisation.*' That is, decentralisation which takes the form of a controlled, co-ordinated, devolution of functions from higher to lower levels of the system, in response to increased global competition and internationalisation. In a similar vein, Marginson and Sisson (1994) argue that changes in the nature of the divisionalised management structures include a decentralised yet co-ordinated approach. However, this trend should not be overstated since Ferner and Hyman (1998) have noted that, in general, firms have exerted little pressure for radical decentralisation.

The Nature of the Subsidiary and its Strategic Importance

Research indicates that specific factors associated with the subsidiary influence the multinational companies' choice of HRM strategy (Tayeb, 1998). Four main variables have been identified: the mode of establishment and the location of the subsidiary; the economic performance of the subsidiary; the age and size of the subsidiary; and the subsidiary's strategic role.

Evidence suggests that in a "greenfield" site, human resource and industrial relations issues tend to be more centralised, since the MNC has more scope to be innovative and to introduce country of origin practices (Ferner, 1994; Hamill, 1984). The reason behind this is that, in a greenfield, the MNC is able to exert more influence over the sort of employee recruited, the terms and conditions of employment, and the nature of representative structures (Edwards, 1998a). For example, the Japanese MNCs operating greenfield subsidiaries in the United Kingdom have been able to import many of their HRM practices (Tayeb, 1994), such as lean production techniques, single-union or non-union arrangements and employee participation practices to their new sites (Wilkinson and Oliver, 1994).

In contrast, if the subsidiary is created by taking over an already existing local firm, through an acquisition or joint venture, it appears likely that labour issues will be more decentralised and local management will maintain a considerable degree of autonomy (Hamill, 1984). This is because the MNC will be more constrained by pre-existing practices that may be difficult to change, and may face resentment in the acquired firm. Therefore, the new firm will, at least initially, continue to apply many local practices (Tayeb, 1998; Edwards, 1998a).

It also appears that the location of the subsidiary tends to influence the choice of strategy. Evidence suggests that MNCs tend to exert more control in developing countries. For example, Hedlund (1990) found that Swedish MNCs employ parent company nationals (PCNs) in countries where there is lack of qualified and experienced host country nationals (HCNs), and where subsidiaries have a lower operational integration with the total MNC operations (Welch, 1994). Similarly, Dunning (1993) notes that several studies have discovered that '*subsidiaries in developing countries tended to be allowed less autonomy than those in developed countries*', while Perlmutter (1969) suggests that the there is a marked tendency toward ethnocentrism in relations with subsidiaries in developing countries. However, Welch (1994) argues that location affects the desirability of an expatriate assignment and hence may limit the company's ability to implement its favoured staffing policy.

Another factor that have been identified, in addition to the mode of entry and location of the subsidiary, is its economic performance and relative economic importance. Evidence shows that the higher the dependence of the subsidiary on the parent for financial resources and/or the weaker its financial performance, the more likely that the parent company will be heavily involved in the subsidiaries operations. For example, Hamill's (1984) study revealed that poor performance in a UK subsidiary, or a high level of financial support from the parent company, tended to increase the corporate involvement in labour relations. Similarly, the study conducted by Young *et al.* (1985) concluded that within individual subsidiaries in the UK, poor performance resulted in a higher degree of parent company involvement.

Thirdly, research evidence indicates that smaller, younger and less experienced subsidiaries tend to be subject to more centralised control than their older counterparts (Dunning, 1993; Young *et al.*, 1985). This is because younger and less experienced subsidiaries are more likely to depend on the headquarters for funds, technological know-how, and skilled managerial and technical resources, which tend to increase the corporate control of the parent (Hamill, 1994). For example, in his comparative study, Egelhoff (1984) found that MNCs tended to exert more control over smaller and younger subsidiaries. Similarly, Rosenzweig and Nohria (1994), in their study of HRM practices in 294 US affiliates, concluded that MNCs tend to decentralise the management of labour in subsidiaries which depend more on the local environment rather than on the centre for inputs, such as raw materials and intermediate parts. It must be noted, however, that according to Prahalad and Doz (1981), as subsidiaries become established they develop their own resources, and therefore tend to become more autonomous and more resistant to parent company influence.

Finally, the strategic role of the subsidiary, defined in terms of the amount and direction of the resource flow between the subsidiary and the rest of the corporation (Gupta and Govindarajan, 1991; Roth and Morrison, 1992; Birkinshaw and Morrison, 1995; Taylor *et al.*, 1996; Tregaskis and Brewster, 2001), which has only recently reccived attention in the international management literature (Tregaskis, 2001), has also been found to influence the HRM strategies of MNCs.

Gupta and Govindarajan (1991) distinguish four types of subsidiary roles based on knowledge flows: (a) global innovator with high outflow of resources to the rest of the organisation and low inflow of resources to the subsidiary; (b) integrated player, with high outflow and high inflow; (c) implementer, with low outflow and high inflow; and (d) local innovator, with low outflow and low inflow. Thus, it is argued that subsidiaries require different co-ordination and control mechanisms according to their level of resources and the strategic importance of the local environment to the MNC (Ferner, 2000; Bartlett and Ghoshal, 1989, 1998). Consequently, as the resource flows between the parent company and the subsidiaries increase, the resource dependence and hence the need for control will increase. Thus, global innovators and integrated players will be subject to higher levels of control from the parent company. In contrast, the 'implementer' and 'local innovator' subsidiaries, with a limited role in non-strategic environments, are more likely to be subject to lower control and less attempts to transfer HRM practices to them.

The Host Country Influence

A number of studies suggest that the host country's legal, cultural, social, economic and political environment have an impact on MNCs' approach to the management of labour (Muller-Camen *et al.*, 2001; Dowling *et al.*, 1999; As-Saber *et al*, 1998; McGaughey *et al.*, 1997; Tung and Havlovic, 1996; Beechler and Yang, 1994). Accordingly, it has been argued that MNCs are faced with the "think global", "act local" paradox (Dowling *et al.*, 1999). That is, while multinationals are pursuing global expansion and integration which call for worldwide consistency in their HRM policies and practices, they are forced to be responsive to the demands in each of the countries and regions within which they operate and to adapt to the cultural specific requirements of different nations (Doz, 1986; Laurent, 1986). It has therefore been argued that some aspects of the home business culture may not be transferable to the host country as they may be regarded as either unsuitable, or lack the extra-firm supportive structures upon which they rely at home, such as a strong training infrastructure (Edwards, 1998a; Ferner, 1997).

In particular, cultural differences (Child, 1981) between the host country and the parent company may prevent, or limit, the diffusion of country-of-origin practices and work methods. For instance, Buckly and Casson (1991) argue that U.S. and European MNCs operating in developing countries have often failed in their attempts to do so because they have lacked an appreciation of culture-specific attitudes to work, rewards, authority and management-labour relations (cited in Dunning, 1993). In a similar vein, Tayeb (1994) claims that while Japanese MNCs have succeeded in transferring some practices, such as single-union agreements and zero-rate reject to their subsidiaries, they have not implemented successfully other practices like quality circles and just-in-time, especially in the West.

For his part, Lorenz (1993) has argued that performance-related-pay is much more acceptable in Anglo-Saxon business culture, than in France, Germany or Italy, where there is resistance to the idea 'that individual members of the group should excel in a way that reveals the shortcomings of other members' (cited in Ferner, 1994). Thus, more generally, researchers suggest that the greater the cultural distance between the home and the host country, the harder it will be for the multinational to transfer home country philosophies and practices (Ferner, 1997).

The literature also suggests that the type of government, and the legal and labour market conditions in the host country, tend to influence MNCs' strategies and policies by either encouraging or impeding certain HR practices. For example, a host government can dictate hiring procedures, as in the case of Malaysia in the 1970s, when the government made it mandatory for all foreign firms to provide additional employment for the indigenous Malays (Dowling *et al.,* 1999). In a similar vein, Florkowski and Nath (1993) argue that ethnocentric, regiocentric and geocentric staffing policies are inappropriate for host countries with high indigenous quotas. For example, Saudi Arabia and the Philippines have enacted indigenous employment quotas of 75 and 95 per cent respectively. Furthermore, the authors suggest that in developing countries human resource practices must be consistent with the national development plans that have been prepared by planning authorities (Florkowski and Nath, 1993; Florkowski and Schuler, 1994). However, although it is argued that host governments limit the integration and co-ordination strategies of MNCs, they may also assist MNCs by offering incentives, such as export credit and/or tax allowances, and granting market access (Prahalad and Doz, 1987).

In fact, evidence suggests that MNCs are generally good at respecting local employment practices and often provide better working conditions than other firms in the same industry or other local firms (Dunning, 1993). At the same time, there is evidence that MNCs may use relatively deregulated economies, such as Britain, to introduce labour practices that are less acceptable in their country of origin. By way of illustration, Tregaskis (1998) has found that French and German MNCs invest significantly less on training in Britain than at home. In addition, the literature shows that MNCs can respond to host country constraints by taking proactive strategic initiatives such as negotiating with governments to minimise such constraints, or locating operations in countries where labour regulation is less stringent. For example, Japanese firms operating in Thailand have negotiated exemptions from the Thai minimum wage law for new employees during extended training periods (Florkowski and Nath, 1993).

Despite the debate mentioned earlier about convergence, a number of writers still emphasise the importance of the host country effect and its role in the divergence between different MNCs HRM practices. For example, Child (1981) concludes that although firms in different countries are converging, the behaviour of individuals within these firms is maintaining its cultural specificity. Similarly, Poole (1986) argues that individuals in a single industrial system are influenced by distinctive national traits, so that different institutional solutions are devised to meet the requirements of the same market conditions or the same technologies (Hansen *et al.*, 1997).

Modes of Implementation of the Strategies

MNCs can adopt a variety of control methods and mechanisms to implement their strategies and monitor the actions of local subsidiaries (Purcell *et al*, 1987; Egelhoff, 1984; Martinez and Jarillo, 1989; 1991). Three main mechanisms of control can be identified in the literature: personal, bureaucratic and output, and social or cultural.

Personal Centralised Control

Personal centralised control (Child, 1984; 1973; 1972) is seen as 'personal' and 'direct' as it relies on the direct close personal supervision of lower levels by higher ones in the organisation. Centralisation (Young *et al*, 1985; Hamill, 1984; Child, 1973) and expatriate transfers have been commonly quoted as falling within the first of these categories (Baliga and Jaeger, 1984). For example, Ferner and Edwards (1995) have observed '*at its crudest, the sending of home-country expatriates could be used as a form of gunboat diplomacy, an exercise of direct power relations by the parent in which the expatriate acts as enforcer of corporate policies*'. The authors argue that this type of control is extensively used by Japanese MNCs in order to implement lean production methods, inculcate company-wide quality control standards and oversee 'high involvement' management systems encompassing such innovations as team briefing, information networks and company councils.

Formalised Bureaucratic and Output Control

In contrast to personal centralised control, bureaucratic formalised control is ' impersonal' and 'indirect'. It is seen to support the greater decentralisation of responsibility and decision-making through the use of formal and bureaucratic systems that are designed to ensure that those based in subsidiaries carry out their functions in a way that accords with corporate expectations. Thus, they are held to include, the creation of rules, regulations and procedures (Child, 1973) and to encompass the use of reporting mechanisms that provide a means for monitoring the financial and operational performance of subsidiaries (Edwards *et al*, 1996; Marginson *et al*, 1995; Hedlund, 1981).

In fact, there is some evidence to indicate that the HQs of MNCs are making increasing use of labour productivity and performance comparisons in order to secure the compliance of subsidiary managers and workforces with the wishes of the HQ (Edwards, 1998b), and to implement desired HR policies and practices (Coller and Marginson, 1998; Belanger *et al.*, 1999). This type of internal competition exercised by MNCs has been termed 'coercive comparisons', whereby cross-plants comparisons can be made and subsidiaries compete with one another for future investment (Edwards, 1998b; Ferner and Edwards, 1995). For example, in the automotive sector Martinez Lucio and Weston (1994:113) found that '*competitive relations were systematically established between plants across different countries over investment and therefore employment*'. The authors argue that this strategy was used not only to embody the ideology of competition necessary for organisational survival but also to erode potential resistance to change. In a similar vein, Mueller and Purcell (1992) found that MNCs in the car industry were able to make systematic productivity and labour cost comparisons between plants in different countries. They concluded that management had a powerful tool to promote convergence in work organisations, flexibility, team-working and so on. Similarly, Coller (1996) in a study of a multinational food company found that HQ collected information from the subsidiaries on production and labour costs, salaries, absenteeism and injuries which was then used to increase pressure on local managers and constrain their autonomy. For their part, Edwards *et al.*, (1996) found that in two case study firms data was collected on various labour issues, including the head count and that this information was used to compare how efficiently resources were being used.

The literature reveals that American MNCs have been found to predominantly rely on formal systems, policies, written guidelines and standards, and reports and to do so to a greater extent than either European or Japanese MNCs. It has also been found that American MNCs are distinctive in terms of their reliance on financial control mechanisms and, in particular, their strong emphasis on quarterly financial performance (Egelhoff, 1984; Bartlett and Ghoshal, 1989, 1998; Harzing, 1999; Martin and Beaumont, 1999; Ferner, 2000; Child *et al.*, 2000; Ferner *et al.*, 2001; Edwards and Ferner, 2002).

It should be noted, however, that many authors and studies do not distinguish between bureaucratic formalised control and output control (e.g. Martinez and Jarillo, 1989; Baliga and Jaeger, 1984; Ferner 2000). In contrast, Harzing (1999; 2000b) has drawn a distinction between these two control mechanisms on the basis that although both are considered impersonal and formalised, they differ in their object in the sense that the first is direct/explicit while the latter is indirect/implicit. In addition, Harzing has also argued that the key element that distinguishes output control from centralised and formalised bureaucratic controls is that, instead of particular courses of action being laid down, certain goals/results/outputs are specified and monitored.

Social/Cultural Control

Less formal mechanisms of control may also be employed to help develop norms and standards of behaviour, as well as personal objectives, that are consistent with the desired strategic direction. Hence, this informal approach seeks to 'socialise' (Edstrom and Galbriath, 1977) those working in subsidiaries into the '*...values and behaviour expected of them*' (Schneider and Barsoux, 1997). Accordingly, this subtle approach has been termed, by Baliga and Jaeger (1984), the 'cultural model', whereby the organisational corporate culture implicitly dictates the rules and norms by means of direct personal control systems and the socialisation of staff.

In broad terms, four main types of socialisation processes have been identified. First, the training and development of corporate and subsidiary managers through the provision of management education and training courses, attendance at seminars and international committees, and more generally, the creation of informal exchange networks and contacts (Kornache, 1997; Coller, 1996; Schneider, 1991; Evans *et al*, 1989; Evans, 1992; Doz 1986). IBM's policy of a minimum of one week training and development course annually, for example, is said to have contributed tremendously to its strong global culture (Laurent, 1989). In a similar vein, Edwards *et al.* (1996) have argued that worldwide personnel committees, or regular meetings of personnel managers across sites can be a way in which ideas are shared across the enterprise and policies are developed.

Secondly, the making of frequent visits by corporate senior managers (Welge, 1981). For example, Welge (1981) found that visits by executives to subsidiaries played a key role in personnel coordination since they allowed insights into local operations and contact with local managers, and supported adjustment to parent company practices, as well as the strengthening of teamwork. Thirdly, the creation of managerial career paths, reward packages and sanctions that aim to motivate managers, broaden their capabilities and strengthen their commitment to corporate visions and objectives (Ferner and Edwards, 1995; Bartlett and Ghoshal, 1990; Doz and Prahalad, 1984).

Fourthly, evidence also suggests that the transfer of managers and staff plays a critical role in integration and co-ordination (Dowling *et al.*, 1999; Huault, 1996; Welch *et al.*, 1994). For example, Edstrom and Galbraith (1977) found that extensive management transfers can be used to achieve a 'corporate control strategy' based on 'socialisation', which results in control that is personal yet decentralised. Thus, transfers can be used to achieve open and positive attitudes toward other nationalities and cultures; create commitment to the organisation as a whole; and create verbal information network, which sustains decentralised interdependent subsidiaries. Similarly, Doz (1986) argues that patterns of socialisation among executives may play a significant role in decreasing the need for tight formal means of administrative control, and others have argued that expatriates provide a key means of exporting the parent company's culture and national culture (Edstrom and Galbraith, 1977).

Furthermore, it should be noted that the above forms of control are not necessarily mutually exclusive. For example, a number of researchers have examined the linkages that exist between the above types of control mechanisms. The general picture to emerge is that MNCs generally use all three forms of control, but that they differ in the weight attached to them (Bartlett and Ghoshal, 1998). For example, in his empirical study, Hedlund (1981) found a clear relationship between centralisation and formalisation, which are different control mechanisms used to meet the needs of control and co-ordination. He concluded that formal control instruments in these firms were not a substitute for directly influencing decisions in the subsidiaries, but a means to exercise such influence. In a similar vein, Bartlett and Ghoshal (1989) stress that all the Japanese, American and European MNCs, in their study used all three mechanisms but to varying degrees. They give an example of Matsushita's practice of sending thoroughly indoctrinated company managers overseas and maintaining intensive communication links with them in part to support a centralised co-ordination process, but the intensive corporate training and the close personal contacts with headquarters managers indicate that the mechanism also has strong elements of socialisation.

Not only is it agued that the different control methods are used together and should not be viewed as alternatives but that they tend to emerge cumulatively as the overseas activities of MNCs expand and environmental complexity increases (Edstrom and Galbraith, 1977; Martinez and Jarillo, 1989; Welch, 1994). Thus, Edstrom and Galbraith (1977) and Martinez and Jarillo (1989), who produced a comprehensive study of the development of the MNC control literature, emphasise that these mechanisms or strategies are not alternatives but cumulative stages, thus the informal mechanisms are added to the formal ones and do not replace them. In a similar vein, and more recently, Ferner (2000) '*concludes that MNCs rely on complex combinations of formal bureaucratic control and other mechanisms that not only coexist but also are mutually dependent*'. Thus, the author claims that his approach contrasts with that of the 'structural evolutionist' school, which sees a shift in the focus of control occurring from bureaucratic to social (e.g. Bartlett and Ghoshal (1989; 1993).

More specifically, it has been suggested that control mechanisms develop from simple formal mechanisms to subtler and more sophisticated ones. For example, Marchan *et al.*, (1997) argue that in the global firm, bureaucratic and output-based control becomes less important than control through socialisation, since informal controls become more important as management tasks become more uncertain and unstructured. Similarly, Ferner (2000) has argued that from the 1980s, the conflicting demands of global strategy and local responsiveness have prompted more cross-cutting, responsive and subtle control mechanisms.

Other evidence also suggests that the need for co-ordination increases and becomes more complex, as firms grow and pursue integration strategies. For example, Leksell (1981) maintains that in more diversified firms HQ is faced with more complex information requirements, as a result of more complex interdependence among entities, in the form of competitive pressures and intra-organisational flows of goods and technology. Consequently, a standardised reporting system is less likely to be viewed as adequate. Leksell reported that MNCs use the financial reporting system as an integral part of their international information and control system. Thus, in six intensive case studies of Swedish companies he found that most of the senior headquarters executives they did not rely extensively on the formal reports to extract information about subsidiary operations. Instead, informal communication channels were used, such as telephone conversations and personal visits. The formal reports thereby became more of a confirmation of information already known, and were used merely for routine control.

More generally, Scullion and Starkey (2000) maintain that as structural forms of control defer to culturally- based social control, the HR strategy emerges as the primary device for strategic implementation and control in the multinational firm.

As regards the inter-relationships between control through socialisation and the other forms of control mentioned, it appears that personal direct control through centralised decision-making and the use of expatriates, as well as the establishment of bureaucratic modes of control, can act to create 'infrastructures' that impact on the culture that prevails within subsidiaries (Baddar Alhusan and James, 2001). In particular, work by Baliga and Jaeger (1984) has shown that methods of socialisation and personal control can overlap through the role that expatriates may play as both voices of centralised decision making and as cultural change agents. They have consequently identified a 'cultural model' of control which encompasses both expatriates and other forms of socialisation, such as the training and development of corporate and subsidiary managers, the establishment of information networks and the transfer of managers across different international units.

Conclusions

This concluding section initially draws out the key findings of the literature review. Following this, the key implications of the review for the design of the present study are discussed.

Key Findings

Multinationals are becoming an increasingly important part of the global economy. As a result, their human resource strategies are exerting an important influence over employment practices in the overseas countries in which they operate.

Four main types of strategies that can be adopted by multinational corporations have been identified: ethnocentric, polycentric, regiocentric and geocentric. However, a MNC may be pursuing different strategies or a hybrid of strategies at the same time depending on a number of contingency factors. These include: its country of origin; its stage of internationalisation; the characteristics of its industry and the implications this has for its business strategy and structure; the nature of particular subsidiaries and their strategic role; and a range of host country effects.

Evidence suggests that MNCs of different national origins behave in significantly different ways in respect of the cross-national management of human resources. Thus, it is argued that MNCs are embedded in a set of nationally-specific characteristics that together make up national business systems and which influence the way in which MNCs manage human resources internationally. For example, it has been found that MNCs from insider systems, such as French and German MNCs, regard employees as enduring assets who form a potential source of competitive advantage and tend to invest more in human resources and encourage training and the acquisition of skills. In contrast, it has been found that MNCs from outsider systems, such as USA and Britain, consider employees more as a disposable cost to be minimised and tend to invest less on the training and development of staff.

However, there appear to be limits to the influence of NBSs . Three main reasons for this have been identified in the literature. The first is that not all HR practices are 'transferable', being too rooted in inherent national cultural assumptions. The second is that the varying legal, political, economic and cultural characteristics of host countries impede the 'import' of elements of foreign business systems, and tend to modify the operation in practice of those which are transferred. The third is that the forces of globalisation and intensified international competition are leading to an increasing convergence between MNCs of different origin and thus, an erosion of country-of-origin differences. Indeed, it is argued that MNCs by transmitting practices across national borders, may be seen as key actors in the homogenisation of national systems and, thus, the erosion of country-of-origin differences.

At the same time, there are also grounds for anticipating the persistence of national differences in MNC human resource behaviour, since the characteristics of the national systems in which they are based reflect long historical processes of cultural and economic development. As a result, some authors (e.g. Sparrow *et al.*, 1994) argue that, despite a clear convergence in HRM policies and practises, some differences remain due to differences in national systems. For example, Belanger *et al* (1999) have argued that: '*even in an extreme case of an integrated global firm, differences of national context influence relations with subsidiaries*' (1999). In a similar vein, Ferner and Quintanilla (1998) have concluded that the Anglo-Saxonisation of international HRM in Germany is occurring in a '*distinctly German manner*', that is, the Anglo-Saxonisation is occurring in ways that are '*nationally specific*'.

In addition to the country of origin and host country effects, a plethora of other factors have been found to influence the way in which MNCs approach the management of human resources. Thus, an MNC has been noted to be more likely to centralise the management of human resources and disseminate home country policies and practices when it is at the early stage of internationalisation; its production is highly integrated; it operates in a global industry; and the subsidiary concerned is inexperienced, economically inefficient, dependent on the parent company for resources, located in a developing country and is a greenfield site.

Finally, MNCs can use a number of formal and informal control systems: personal; bureaucratic and output; and social or cultural, to implement their strategies. These control systems can be used in different combinations, and there is evidence to indicate that they are not mutually excusive and that MNCs generally use all three of them. It is therefore argued that the different forms of control should be viewed as complements rather than alternatives. In addition, it is further suggested that these control mechanisms emerge cumulatively and that, as the environment becomes more complex, the need for more sophisticated and subtle control mechanism increases. At the same time, evidence indicates that these control methods play an important role in creating infrastructures that influence the prevailing culture within subsidiaries.

Implications for the Study

At a general level, the literature review confirmed the central rationale underlying the present study, namely the lack of attention that has been paid to date to how MNCs approach the management of human resources in subsidiaries based in developing economies and acquired through privatisation. At the same time, it also served to highlight a number of issues that have important implications for its design. In brief, these are the complex array of factors that can influence how MNCs manage human resources in their overseas subsidiaries, the gap that can occur between parent company philosophies and policies and the actual HRM practices utilised by subsidiaries, the way in which parent company-subsidiary relationships can change over time as a result of a variety of internal and external influences, the broad range of human resource issues that MNCs can seek to influence and the way in which they differ in terms of those they do attempt to shape, and the inability of culture- and structuralist-based approaches to fully explain the way in which human resources are managed within MNCs.

As regards the first of these issues, the review revealed, as noted above, that a host of internal and external factors have been identified as exerting an influence over how human resource issues are managed within the subsidiaries of MNCs. These include, the country of origin of the parent company, the characteristics of the industries within which it operates and its experience of managing overseas operations, the strategic importance of a subsidiary and the way in which it was established and a number of social, economic and political features of the host country. In addition, the literature review identified that the relative importance of these various influences can vary and that the precise way in which they impact on parent company-subsidiary relations is shaped, in part, by internal political dynamics.

An important implication of the review is therefore that in order to gain a real understanding of the nature of human resource management in the subsidiaries of MNCs, as well as the factors that have served to determine it, a detailed examination is needed of the surrounding decision-making processes and the factors that influence them. As a result, its findings suggest that a qualitative, case study, research methodology is needed which will enable the researcher to gain in-depth insights into the structure and operation of these processes, including the differing motivations and inter-personal relationships that impact on the decisions made.

The fact that existing evidence suggests that a gap can occur between parent company philosophies and policies, on the one hand, and subsidiary practices, on the other, in turn, suggests that exclusive reliance on data gathered at either 'headquarters' or subsidiary level is unlikely to provide an accurate picture of parent company-subsidiary relationships. In doing so, it consequently highlights the importance of collecting data at both of these levels so that not only can such gaps be identified, but an understanding can be gained as to why they exist. Furthermore, given that the literature review suggests that these relationships can change over time in response to a range of internal and external factors, it further points to the value of adopting a research strategy that encompasses a longitudinal element.

Meanwhile, the literature review's findings that MNCs can attempt to exert an influence over the way in which subsidiaries manage a wide range of human resource and that such corporations can vary with regard to those that they do seek to so also have two important implications for the present study. The first is that they reinforce the point made above concerning the need to adopt a qualitative methodology that can facilitate an understanding of decision-making processes. The second is that they indicate that data needs to be collected on a broad spread of such issues, including recruitment and selection, payment systems and performance management arrangements, staff training and development, the distribution of HR responsibilities between different layers of management, and methods of workforce communication and representation.

Finally, at the more conceptual level, the weaknesses identified in the literature review with regard to the ability of cultural- and institutional-based approaches to provide a full understanding of the behaviour of MNCs with regard to the management of human resources is important. For it suggests that the adoption of either of them runs the risk that crucial explanatory variables will be missed and that the two approaches are better viewed as providing complementary modes of analysis. In other words, in line with Edwards (2004), it points to the need to adopt an integrative approach that combines all the potential structural, cultural, environmental and internal political factors that can influence the way in which human resources are managed within MNCs and which embodies a recognition that behaviours and social structures are reciprocally related (Edwards et al, 1999; Sorge, 2004).

Notes

[1] The transnational terminology was adopted by the United Nations Centre on Transnational Corporations (UNCTC) in 1974, at the request of some Latin American Countries who wished to distinguish between companies domiciled in one country of Latin America, which might invest in another, from those originating from outside the region (Dunning, 1993).

[2] Most countries consider foreign investment as direct whether a single investing firm is able to exercise a significant control or influence over decision taking in a foreign enterprise. Although there is no international consensus on the minimum equity shareholding deemed necessary to gain control, for the majority of countries it varies between 10% and 25% of the total equity stake of an enterprise. The OECD (1991), has recommended to its member countries that 10% be the minimum equity stake deemed to classify an investment as 'direct' (Dunning, 1993; UN, 1997).

[3] It should further be noted that the concept of footlooseness is difficult to apply to companies with bi-nationality, such as Unilever (Britain/Netherlands) and Assea Brown Boveri (Sweden/Switzerland).

[4] Isomorphism is the extent to which organizations adopt the same structures and processes as other organizations within their environment (Zucjer, 1977 – cited in Ferner and Quintanilla, 1998).

CHAPTER FOUR: RESEARCH METHODOLOGY

Introduction

Research strategy, design and availability of data are of prime importance for a successful research study. In this chapter, the rationale for and nature of the present study's methodology is therefore considered. Initially, the possible research strategies that could have been utilised in the study are outlined. This is followed by an analysis of the chosen strategy and the rationale behind selecting it. Attention then turns to a consideration of the issues involved in designing a case study and the factors that prompted the particular design to be adopted. Next, the main features of both qualitative and quantitative research methods, and their associated data collection tactics are described, along with a justification for the particular data collection methods utilised in the present study. Finally, the operationalisation of the research strategy and design in terms of the selection of the case studies and the field work conducted is outlined.

Research Strategy: Possible Options

A research strategy can be defined as 'the general broad orientation taken in addressing research questions in an enquiry' (Robson, 1993). The literature indicates that there are several ways to classify research strategies (Yin, 1984; Gill and Johnson, 1997). One approach distinguishes three main traditional strategies: experiments, surveys and case studies (Robson, 1993). Each of these strategies is described below, along with their associated strengths and weaknesses.

The Experiment

According to McMillan and Schumchler (1989), an experiment tests cause-and-effect relationships in which the researcher randomly assigns subjects to groups, usually in a laboratory setting. The researcher manipulates one or more independent variables and determines whether these manipulations cause an outcome (Creswell, 1994; Sproull, 1988).

In experiments, the researcher attempts to control as much as possible to rule out the influence of extraneous variables. That is variables which might cause some variation in the dependent variable and thus provide rival explanations for any observed variability in the dependent variable (Tull and Hawkinks, 1993; Gill and Johnsons, 1997). Thus, the experiment works best when the focus is on one or two variables, in isolation from the broader environment or context (Yin, 1993).

The typical features of experiments identified by the literature are therefore: selection of samples of individuals from known populations; allocation of samples to different experimental conditions; introduction of planned change in one or more independent variables; measurement of the impact of this change on a small number of dependent variables; and control of all other extraneous variables, possibly by the use of a control group. In addition, they usually involve hypothesis testing (Robson, 1993).

The main strength of experiments is that they produce strong inferences about cause and effect. The high degree of control and the physical removal of extraneous variables provide them with a high degree of replicability (ascertaining reliablility) and validity. However, there are several problems associated with experiments. In particular, experiments are impractical for most social science research problems as it is often difficult to obtain a matching control group or randomly sample the subjects. Furthermore, it is generally very difficult to identify or control all the possible extraneous variables. In addition, in many situations it is difficult to have repeated measures of the same group, and in some cases, the artificial nature of the settings weakens the generalisability of the results to 'non-laboratory' environments (Sproull, 1988; De Vaus, 1996; Tull and Hawkins, 1993).

The Survey

The survey can be defined as 'a methodological technique that requires the systematic collection of data from populations or samples through the use of the interview or the self-administered questionnaire' (Denzin, 1989). The reported typical features of a survey are: the selection of samples of individuals from known populations; the collection of a relatively small amount of data in standardised form from each individual; and the use of questionnaires or structured interviews for data collection with the intent of generalising from a sample to a population (Robson, 1993; Creswell, 1994).

Surveys can be cross-sectional or longitudinal (De Vaus, 1996), and are considered to be well suited to descriptive studies (Tull and Hawkins, 1993). There are a number of advantages that are said to be associated with surveys. Some researchers (e.g. Creswell, 1994; Robson, 1993) consider that surveys provide confidence in the results, as they are based on hard data and statistical analysis. In addition, they are relatively economic to conduct and can provide a relatively straightforward approach to the study of attitudes, values and motives. They can also potentially provide an ability to identify the attributes of a population of a relatively small group of individuals which can be generalisable to a larger population, and may also achieve reliability due to a high degree of data standardisation.

However, surveys have a number of weaknesses and limitations. For example, May (1997) criticises the survey approach as it 'rules out the possibility of understanding the process by which people come to adopt particular values or behaviours' (May 1997: 104). Another associated concern is the introduction of biases in question formulation, which will inevitably hinder the validity of the process undertaken. Furthermore, it is claimed (e.g. De Vaus, 1996; Sproull, 1988; Tull and Hawkins, 1993) that surveys do not take into consideration the context in which particular aspects of people's beliefs and actions occur, and cannot adequately establish causal connections between variables.

A further limitation relating to the use of surveys, particularly analytical ones, according to Gill and Johnson (1997), concerns the need to control for all extraneous variables. Hence, a failure to identify such extraneous variables, which is itself a problematic process, will tremendously threaten the internal validity of any subsequent findings.

The Case Study

A case study is defined as 'an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used' (Yin, 1984). The typical features of a case study are considered to be: selection of a single case (or a small number of related cases) concerned with a particular type of situation; study of the case in its context; and the collection of information via a range of data collection techniques including observation, interview and documentary analysis (Robson, 1993). In general, researchers tend to recommend the conduct of a case study when the researchers' main interest is on understanding what is happening in a specific context; when there is little known, or not all the explanatory variables are known; and when it is possible to get access and co-operation from the people involved (Yin, 1994; Robson, 1993).

More specifically, case studies are seen to have a number of potential advantages. These include providing a means of identifying and clarifying specific responses, especially those related to the attitudes and behaviour of the respondents, and providing a deep understanding of their surrounding organisational climate. Thus, the case study may allow an investigation to retain the holistic and meaningful characteristics of real-life events; help to understand complex social phenomena and provide flexibility, in the sense that the investigator can change the design and select different cases from those initially identified, while not changing the purpose or objectives of the study. In addition, the use of multiple methods of collecting data can contribute to a high degree of validity.

On the other hand, the case study is claimed to have a number of weaknesses. For example, Miles (1997) criticises the case study approach on the grounds that the analysis is 'essentially intuitive, primitive, and unmanageable'. He also suggests that cross-case analysis is less well formulated than within site analysis, and that without renewed methodological inquiry, qualitative research on organisations cannot be expected to transcend story-telling'[1]. Other common criticisms (Yin, 1981; 1994) include the dangers of overt and covert bias from respondents; the risk that researchers may influence the direction of the findings and conclusions; the long time period needed to complete the study; and the difficulty of generalisation (Yin, 1981; 1994). Thus, Bryman states that: 'A major reason for the loss of faith in case studies was a prevailing view that it was not possible to generalise the results of research deriving from just or two cases' (1989).

The Chosen Research Strategy

It is commonly suggested that there is a hierarchical relationship between the three above strategies in that: experiments are appropriate for explanatory studies; surveys are appropriate for descriptive studies; and case studies are appropriate for exploratory studies (e.g. Robson, 1993; Zikmund, 2000). In contrast, Yin (1994) argues that each of the above strategies can be used for any or all of the above three purposes.

More generally, the crucial point made in the literature is that the researcher should choose the strategy which is most advantageous. Three main factors have been identified as exerting a crucial influence over the choice made. First, the type of the research question. Secondly, the degree of control that the investigator has, or wishes to have, over events. Thirdly, whether the focus is on current or past events. The relevance of these factors has been highlighted by Yin (1994) as replicated in Table 4.1 below.

Table 4.1 Relevant Situations for Different Research Strategies

Strategy	Form of research question	Requires control over behavioural events?	Focuses on contemporary issues?
Experiment	how, why	Yes	Yes
Survey	who, what, where, how many, how much	No	Yes
Archival analysis	who, what, where, how many, how much	No	yes/no
History	how, why	No	No
Case study	how, why	No	Yes

Source: Yin, 1994, p.6

According to Yin's analysis, as shows in the Table 4.1 above, an experiment can be used to answer a "how" or "why" question when the researcher can manipulate and control the behaviour of events, and is investigating contemporary events. A survey can be suited to answer "who", "what", "where", "how many", and "how much" questions when the researcher doesn't have control over behavioural events, and is investigating contemporary events. In contrast, the case study will be appropriate to answer "how" or "why" questions when the researcher has no control over events and focuses on contemporary events.

In light of Yin's analysis, experiments were consequently excluded from this study because it was considered to be extremely difficult to divide organisations into experimental and control groups, and the researcher had no control over events. Furthermore, the contextual factors in this study are considered to be so numerous and rich that an experimental design could not be feasibly applied, particularly as the experiment deliberately divorces the context from the phenomenon in order to focus attention only on few variables (Yin, 1994: 13).

Similarly, it was also decided that a survey methodology was not appropriate for four main reasons. First, the need to understand the context within which MNCs decision-making takes place casts doubt on the use of surveys because of the methods' limited ability to provide such insights. Secondly, all the explanatory variables influencing multinational companies' behaviour are not known, with the result that the survey would not be suitable for drawing inferences about causality. Furthermore, many of the contextual variables likely to influence decision-making within MNCs were not considered amenable to precise quantitative measurement. Thirdly, in practice, surveys are problematic and not suitable for carrying out exploratory work. Thus, while the use of open-ended questions can be used to qualitatively explore an area, the use of such questionnaire in a survey will be insufficient and ineffective procedure because data analysis and interpretation become very difficult and time consuming. Fourthly, obtaining a representative sample which would be adequate to generate population validity and generalisation was difficult for this study due to the small number of companies privatised.

In contrast, the case study was considered to constitute an appropriate strategy to achieve the objectives of the research study. This is for six main reasons. First, the topic is complex in that it is concerned with understanding the underlying factors which influence the international human resource management (IHRM) strategies and policies of multinational companies. Secondly, the context within which the decision-making process takes place is vital to the study. Thirdly, there is lack of empirical evidence about MNCs' behaviour, particularly in developing countries. Thus, there is a need to collect data about both the phenomenon and the contextual factors. Fourthly, the study focused on "how" and "why" questions about a contemporary set of events and addressed a process not yet thoroughly researched and thus a case study was the logical methodology (Leonard-Barton, 1990). Fifthly, the causal links in real-life interventions are too complex to explain via the use of survey or experimental strategies. Finally, the researcher has no control over the events and cannot manipulate the relevant variables.

Further support for this decision is given by Welch and Ferner. For example, Welch (1994: 140) argues that *'there is a need for qualitative studies which explore possible underlying relationships, and broaden the focus of examination to include the context in which IHRM activities occur'*. In a similar vein, Ferner (1997: 31) calls for *'qualitative case study research to follow through complex linkages, explore processes and uncover how decisions are really made'* within multinational companies.

Research Design

Research design is broadly defined as 'a plan for conducting research which usually includes the specification of the elements to be examined and the procedures to be used' (Sproull, 1988). Or in Yin's terms, a research design is 'the logic that links the data to be collected, and the conclusions to be drawn to the initial questions of a study' (1994). Thus, the research design is the structure that provides a framework within which data is collected and analysed (Bryman, 1989; Miller, 1991).

An initial review of the literature contributed to formulating the research questions. These research questions provided the research parameters and helped the investigator to specify the kind of organisations to be approached and the kind of data to be collected. The research questions were:

a) *What has been the nature and scale of recent privatisation policies in Jordan?*
b) *What are the HRM strategies of multinational corporations?*
c) *How has foreign ownership/control arising from privatisation affected the HRM policies and practices of Jordanian companies?*
d) *Why has the change in these HR policies occurred?*

Based on the above research questions, a longitudinal, holistic, multiple-case design was considered to be most appropriate for the study. In this section, the rationales for each element in this design are now considered in turn under the following three sub-headings: multiple-case design; the holistic approach; and the longitudinal nature of the study.

Multiple-Case Design

According to Yin (1994), the main distinction in designing case studies is between single and multiple case studies. He describes three main reasons for conducting a single case study: the case represents a critical test of existing theory; the case is a unique or rare event; and the case represents a revelatory purpose. However, single-case designs need to be carefully considered as the case may subsequently not represent what it was perceived to be at the outset. Furthermore, they are subject to limits in generalisability and a number of biases, such as misjudging the representativeness of a single event or biasing estimates because of 'unconscious anchoring' (Leonard-Barton, 1990). As a result, many researchers advocate the use of a multiple-case design in order to: enhance generalisability (external validity); deepen understanding and explanation; and help guard against observer biases.

External validity refers to the ability to generalise a study's findings to some broader theory and/or social contexts (analytical generalisation) other than those in which data have been collected (Gill and Johnson, 1997; Yin, 1994: 36). For example, Yin (1984; 1994; 1998) maintains that, through the "replication logic", that is comparing the organisations under study in a systematic way (Jankowicz, 2000:219), if similar results are obtained from the different cases in a study, then replication is said to have occurred, and the results might be accepted for a much larger number of similar cases (Yin, 1994: 45). In relation to this, Yin goes on to distinguish between "literal" and "theoretical" replication. The first refers to obtaining similar results from all cases, while the latter refers to contrasting results from the cases but for predictable reasons.

The second advantage is that multiple-case design can be used to deepen understanding and explanation since, by comparing different sites, the researcher can not only have the opportunity to find out the specific conditions under which a finding might occur but can also potentially form more general categories of how those conditions may be related. In addition, multiple case design may help the researcher to find negative cases to strengthen theory, by comparing and examining similarities and differences across cases (Miles and Huberman, 1994). The above strengths of multiple case studies, in turn, lead on to a third advantage. That is the findings are likely to be more compelling, since replicated results from cases would lead to greater confidence in the robustness and rigour of the whole study (Yin, 1993).

In light of the above, the multiple-case design was chosen for this study on two main grounds. First, the criteria for a single case study namely: the case represents a critical test of existing theory; the case is a unique or rare event; and the case represents a revelatory purpose, are not present in terms of the nature of this study. Secondly, and relatedly, multiple-case design is imperative to obtain the benefits detailed above.

The Holistic Approach

Single and multiple-cases can be holistic or embedded in design. For example, if a case study examined only the global nature of an organisation as a main unit of analysis, then a holistic design would have been used. However, if sub-units in the organisation (within the main unit) were also examined, then an embedded case study design would have been used (Yin, 1993, 1994).

Researchers consider the holistic design to be appropriate when logical sub-units are not identified or when the relevant theory is of a holistic nature. In light of this, it was therefore decided that in the case of this study, to adopt a "holistic", rather than "embedded" approach. This was informed by two, related, considerations. The first was that much of the existing theoretical and empirical literature in the field of international human resource management operates at the organisational level. Consequently, in order to contribute to the existing literature on a like for like basis it seemed appropriate to locate the present study at this level. The second was the fact that this focus in the literature was, in turn, reflected in the study's specific aim and objectives.

The Longitudinal Nature of the Study

Another aspect of designing case studies is whether to use cross-sectional or longitudinal case-study design. In cross-sectional designs, data are collected at a single point of time in the study (De Vaus, 1996; Yin 1993). By contrast, longitudinal designs refer to the collection of data from the same cases at two or more points of time (De Vaus, 1996). Or in Sproull's (1988) terms, longitudinal research *'examines characteristics of the same subjects over an extended period of time in order to assess changes'*. Longitudinal studies are useful to analyse a continuing process, where data can be collected to measure each stage in the process. They also allow the researcher to follow up the changes and developments occurring in the organisation over time (Pettigrew, 1979), and trace the real factors influencing these changes (Hedlund, 1981). Consequently, longitudinal studies can be seen to enhance the validity and reliability of the study (Gill and Johnson, 1997; Leonard-Barton, 1990).

In support of this, Bryman (1989) argues that longitudinal case studies are *'particularly adept at bringing out how organisations change and the causes and consequences of change'*. A view that has been supported by a number of other researchers investigating change (e.g. Miller and Friesen, 1982; Galliers, 1985; Vitalari, 1985, cited in Gill and Johnson, 1997; Pettigrew, 1979). For example, Pettigrew (1990: 269) advocates a longitudinal approach when it comes to developing a more 'holistic' and 'dynamic' analysis of a process such as change.

In support of this view, some researchers have advocated the use of longitudinal design due to complexity and interdependence between the factors, which affect headquarters-subsidiary relationship. For example Hedlund (1981) states that: " *In order really to investigate these matters, one would best use longitudinal in-depth studies over long time* *period*'. In a similar vein, Pettigrew (1985) argues that longitudinal research, which focuses on a small number of organisations over long periods of time can explain why correlation exists between variables and can take into consideration all external variables that could possibly have caused the observed correlation, which cross-sectional designs fail to do (Easterby-Smith, *et al.*, 1991).

Given the aim and objectives of this study, it was concluded that these virtues associated with longitudinal analysis would contribute greatly to the present study. This was, in part, because it was important, for the purposes of fulfilling the study's aim and objectives, to understand not only the nature of the changes introduced but also the processes through which they were implemented. It was also, in part, because a key objective of the study was to gain an understanding of the factors that influenced these changes and processes. Consequently, it was seen as important to gain an in-depth understanding of the decision-making processes that contributed to them.

Data Collection: The Research Methods

As noted earlier, the selection of methods is driven by the kind of research questions the investigator is seeking to answer, and is moderated by what is feasible in terms of time, skills and resources (Robson, 1993). Research indicates that case studies typically combine such data collection methods as archives, artefacts, documents, interviews and questionnaires. As a result, the evidence collected may be qualitative (e.g., words), quantitative (e.g., numbers), or both (Yin, 1994; Eisendhart, 1989).

Qualitative Methods

Van Maanen (1979) defines qualitative methods as "an array of interpretative techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world". Therefore, qualitative data are useful for understanding what and how things happen, and how they are related, rather than merely measuring the relationship between variables. As Eisenhardt (1989) has suggested: 'qualitative data are particularly useful for understanding why or why not emergent relationships hold. When a relationship is supported, the qualitative data often provide a good understanding of the dynamics underlying the relationship, that is, "the why" of what is happening. Similarly, Gordon and Langmaid (1988) argue that qualitative research 'is centrally concerned with understanding things rather than with measuring them. The pursuit of understanding is a complex "searching" type of procedure which cannot be rigid'.

Qualitative methods are described as "rich", "full", "holistic", "real", and "thick" (Van Maanen, 1982; Miles and Huberman, 1994). Thus, researchers are attracted to qualitative data for six main reasons (Miles, 1979; Miles and Huberman, 1994; Bryman, 1989; Easterby-Smith *et al.*, 1991; van Maanen, 1982). First, because they have a strong potential for revealing complexity, and their thick descriptions provide a vivid picture of the natural context in which the phenomenon is embedded, leading to a stronger and "deeper" understanding of latent, underlying issues. Secondly, as a result of the fact that they are often collected over a sustained period of time, which makes them powerful for studying change processes over time. Thirdly, because they can contribute to the evolution of new theories and offer a more precise way for assessing causality in organisational affairs (how and why things happen as they do). Fourthly, they enable the meaning people put on events, attitudes and their own behaviours to be identified. Fifthly, because they are flexible, as data collection times and methods can be varied as a study proceeds. For example, the researcher is able to capitalise on chance remarks or unexpected events that provoke a new line of investigation. Finally, they tend to rely on multiple sources of evidence, which not only allows data in relation to a number of different topics to be addressed, but can serve the function of reducing a researcher's trained incapacity, bias, narrowness and arrogance.

However, the literature reveals that there are weaknesses associated with qualitative data. One problem is that data collection and analysis is highly labour intensive, time consuming and costly. This is due to the fact that qualitative methods tend to generate huge amounts of data that can overload the researchers. Another problem is that data are often untidy because it is harder to control the pace, progress and end-points of the data collection process. Moreover, the methods of analysis are not well formulated and there are limitations placed on the possibilities of statistical analysis. Thus, the analysis and interpretation of data may be very difficult and lack both reliability and validity. Furthermore, the subjectivity and bias of the researcher may influence the findings. Lastly, the external validity of qualitative methods is threatened since the small sample makes it difficult to generalise the findings. (Easterby-Smith, 1991; Miles and Huberman, 1994; McClintock et al., 1979).

Quantitative Methods

Research shows that quantitative methods are concerned with explaining the relationship between variables and/or testing hypotheses. One important characteristic of quantitative techniques is that the process of data collection is distinct from analysis (Easterby-Smith, 1991). Researchers claim that the main strengths of quantitative methods are: they can provide wide coverage of the range of situations; they can be fast and economical; findings are generalisable; they provide hard data as they involve statistical and numerical measurements; and they are less dependent on researcher's skills or orientation (Easterby-Smith, 1991; Gordon and Langmaid, 1988). By contrast, researchers claim that there are a number of problems associates with quantitative methods (Easterby-Smith, 1991; Bryman, 1989). These include the fact that they give little attention to context, put less emphasis on interpretation, do not provide effective means of understanding processes or the significance people attach to actions, and are not very helpful in generating theories.

Triangulation

As demonstrated above, no research method is perfect. Accordingly, researchers have suggested "triangulation" strategies and techniques to neutralise the flaws in each research method, with the aim of increasing the validity and reliability of the investigation (Denzin, 1989). The concept of triangulation is based upon the premise that the weaknesses (e.g. bias) in each single method will be compensated by the counter-balancing strengths of another (Jick, 1979). Thus, Denzin argues that the deficiencies of one method are often the strengths of another, and by combining methods, researchers can achieve the best of each while eliminating their unique flaws (1989).

Triangulation is broadly defined by Denzin as 'the combination of methodologies in the study of the same phenomenon' (1989). Or in Marshall's and Rossman's (1995) terms ' it is the act of bringing more than one source of data to bear on a single point'. Four main categories of triangulation are identified by the literature: theoretical, data, investigator and methodological (Denzin, 1989; Easterby-Smith et al., 1991; Yin, 1994; Jick, 1979).

Theoretical triangulation involves bringing in a variety of models and interpretations from one of more disciplines and using them to explain situations with a view of gaining insights into data which had previously been neglected. Data triangulation refers to the collection of data upon the same phenomenon over different time frames, places or from different sources within the same study. For example, Miller and Friesen (1982) advocate the use of longitudinal designs to analyse organisations as a means of triangulation (Gill and Johnson, 1997). Investigator triangulation refers to the collection of data upon the same phenomenon from different investigators and hence enables the researchers to compare, develop and refine themes and remove the potential bias that comes from a single investigator. Methodological triangulation refers to the use of different research methods in the same study to collect data so as to check the validity of the findings.

Denzin (1989) suggests two forms of methodological triangulation: "within-method" and "between method" or "across method" triangulation. The "within-method" is where multiple techniques are used within a given method to collect and interpret data. This basically involves cross-checking for internal consistency or reliability. For example, a survey questionnaire may be constructed that contains several different scales measuring the same empirical unit. The "between-method" (or multi-method) incorporates the use of different methods to collect data on the same empirical units, such as the use of surveys, semi-structured interviews, observation, and experiments in the same study. Thus, Jick (1979) claims that the validity and reliability of the study will be enhanced if these different methods produced convergent results. In contrast, if divergent results emerge then this should lead to alternative, as well as possibly more complex, explanations.

However, it is argued that the triangulation strategy has some flaws. One shortcoming is that triangulation tends to be expensive and time-consuming (Robson, 1993; Denzin, 1989). In addition, Jick (1979) argues that replicating a mixed-methods package is extremely difficult, especially in the case of qualitative data. He also argues that multi-methods are of no use if the research is not clearly focused theoretically or conceptually.

Other authors and researchers have also criticised triangulation. Denzin (1989) has reported five prime criticisms. First, comparison of multiple data sources will seldom lead to a single, totally constant picture (Patton, 1980). Secondly, no two investigators ever observe the same phenomenon in exactly the same way. Thus, it is a mistake to expect corroboration of one investigator by another (Lincoln and Guba, 1985). Thirdly, the same unit, behaviour or experience can never be observed twice (Silverman, 1985). Fourthly, the use of multiple theories as a triangulation technique seems to be both epistemologically unsound and empirically empty (Lincoln and Guba, 1985). Finally, Fielding and Fielding (1986) provide a critical interpretation of multiple triangulation strategy as follows (Denzin, 1989):

> *'Multiple triangulation, as Denzin expounded it, is the equivalent for research methods of "correlation" in data analysis. They both represent extreme forms of eclecticism.. Theoretical triangulation does not...reduce bias, nor does methodological triangulation necessarily increase validity...In other words, there is a case for triangulation, but not the one Denzin makes. We should combine theories and methods carefully and purposefully with the intention of adding breadth and depth to our analysis, but not for the purpose of pursuing "objective" truth.'*

Data Collection and Tactics used in the Study

It was decided that the case studies would be based on multiple sources of evidence, but that the principal research tool would be the use of in-depth semi-structured interviews (Fontana and Frey, 1998; Tull and Hawkins, 1993; Robson, 1993). This decision was taken for both positive and negative reasons. On the positive side, such interviews are seen to have five main benefits. First, the privatisation operation in Jordan is a sensitive issue and there is a consequent likelihood that many managers would be reluctant to reveal information or disclose their opinions or feelings freely. Therefore, face-to-face, one-to-one, interviews were considered appropriate to overcome this problem. Secondly, the case companies were at different stages of privatisation and differed considerably in terms of their organisational structure and activities. As a result, it was considered that the wording, sequence and content of questions might have to be adjusted according to each situation.

Thirdly, semi-structured interviews were considered appropriate because the study is concerned with assessing the developments and changes in human resource strategies and policies in the companies arising from foreign control due to privatisation. Thus, it was felt that such issues could be best explored in detail using semi-structured interviews as they allow the investigator to clarify information, ask for elaboration on the answers given, follow up responses and investigate underlying issues, in a way that cannot be done via self-administered questionnaires or structured interviews. In addition, this type of interview allows the respondents to answer more on their own terms than the standardised interview permits, but still provides a reasonable structure for comparability, which is important as this is a comparative study. Fourthly, the decision making process within multinational companies is highly complex, and the factors influencing these decisions are interdependent and interrelated. Therefore, it was considered that semi-structured interviews would provide comprehensive interpretations of these complex processes and would allow detailed explanations of them, a view which accords with those of other researchers. In addition, some variables that have not been considered before might emerge from these interviews. In support of this view, (Hedlund, 1981; Ferner and Quintanilla, 1998) advocate that the in-depth interview *'is seen as the most appropriate tool for getting at the complex processes of mutual influence between headquarters and subsidiary, and between these and their home and host country environments respectively'*. Fifthly, as this is a longitudinal study, semi-structured interviews were perceived to be well suited to follow up developments and adjust questions according to new events taking place within their context.

These virtues of semi-structured interviews were further strengthened by the inappropriateness of the other alternative data collection tactics. Consequently, participant observation (Whyte, 1981; Gill and Johnson, 1997) and mail questionnaires (May, 1997;

Bryman, 1989) were discounted from this study on the basis of the following. Participant observation depends on the high skills and training of the observer in this field. It also requires special permission, which could be quite difficult to obtain especially under the circumstances of privatisation and new management. Participant observation also requires that the researcher spends quite a long time in the organisation, which is quite difficult when the researcher is based in another country.

Similarly, mail questionnaires were discarded for the following. First, as mentioned earlier, it was considered that it would be difficult to obtain the co-operation from the case company managers as they would be reluctant to reveal any information about their companies due to the sensitivity of the privatisation issue in Jordan. The situation is even more difficult when they have to disclose this information in writing. Secondly, it was predicted that the response rate would be very low. The researcher is familiar with the country's culture and knows that special contacts and arrangements should be made to obtain the co-operation of the respondents. Meeting the respondents and building trust and rapport with them would therefore enhance their co-operation. Thirdly, the mail questionnaires would not allow the researcher to probe or ask for explanations, which were considered to be of prime importance to this study due to the complexity of the issues involved in understanding organisational decision-making process.

The information gathered from the semi-structured interviews was, however, supplemented by documentary evidence (Yin, 1994; Mintzberg and McHugh, 1985) such as annual reports, in-house journals, official company histories, organisational charts, official documents, policy statements as well as newspaper and journal articles. The purpose of using this documentary evidence was two fold. First, to crosscheck data obtained from the interviews, in accordance with Yin's (1998: 246) argument that 'documents are extremely important for corroborating and augmenting evidence from other sources'. Secondly, to use any discrepancies in the information to identify any possible new lines of inquiry. Thus, reliance on multiple sources of evidence was utilised to develop converging lines of inquiry, and enhance the validity and reliability of the study.

Operationalisation of the Research Strategy and Design

In this section, the detailed fieldwork carried out is outlined. The fieldwork was carried out in two stages. First, interviews were conducted with government officials. Secondly, the three case studies were carried out.

Stage (1): Interviews with Government Officials

The Jordanian Government is the architect of the privatisation operation in Jordan. Therefore, in order to contextualise the case studies it was considered important to interview government officials. Accordingly, semi-structured face-to-face interviews were held in December 1998 and July/August 1999 with thirteen government officials (See Table 4.2 below) who were directly involved in the privatisation process. The interviews were aimed at gathering data on the following issues: the reasons for the privatisation; the role of foreign international companies in the privatisation process; the methods of privatisation used and the reasons for their use; the difficulties encountered in the privatisation process; the roles of the Word Bank and the IMF in the privatisation programme; and likely future developments.

Table 4.2 Government Officials Interviewed

December 1998	July/August 1999
Head of the Executive Privatisation Unit (EPU) at the Prime Ministry	Managing Director of the Executive Privatisation Unit (EPU)
Three Transaction Managers, responsible for different sectors at the EPU	Two Transaction Managers at the EPU
Governor of the Central Bank/Member of the Privatisation Higher Committee	Director of Technical Support Unit, Ministry of Planning
Director of the Aid Competitiveness Unit and the EU-Jordan Technical Support Unit, Ministry of Planning.	Member of the Privatisation Committee of Jordan Telecommunications
Head of Research Unit, Central Bank	
Director General, Institute of Public Administration	

To supplement and triangulate these interviews, documentary evidence was also collected. This evidence included items such as company records, policy documents, newsletters, annual reports, government and World Bank documents and reports, legislation, journal articles, newspaper materials, conference papers, reports, published statistics, archives, and transcripts of broadcasts.

Stage (2): Field Work

Selection of Case Companies

As noted in chapter 2, under Jordan's current privatisation programme in 1997, eight major privatisation transactions were identified in its first phase (Gupta, 2000). As a reminder, the companies concerned are listed below in Table 4.3.

Table 4.3 **Major Privatised Companies in Jordan**

Transaction	Nature of privatisation	Progress	Future developments
Jordan Cement Factories (JCF)	Divestment of 33% to an investor with technical agreement	Shares sold to the Lafarge, a French MNC	Deal closed. Shares sold on 14 December 1998
Water Authority of Jordan (WAJ)	Performance based Management Contract	Agreement signed with Sues Lyonnaise Des Eaux - French MNC	Transaction completed. Contract signed on 19 April 1999
Jordan Telecom Company (JTC)	Sale of 40% of shares to a strategic partner with five-year management contract	The contract was awarded to France Telecom	Deal closed on 23 January 2000
Ma'in Spa	A 30-year concession agreement with management contract	Agreement signed and management. transferred to a consortium led by French MNC-Accor	Deal closed. Agreement signed on 19 October 1989
Royal Jordanian Airlines (RJ)	RJ mother company to be restructured and transferred into an investment company. A subsidiary will be established with a strategic partner to run the core operations	Non-core business to be sold to the private Sector. 49% of core business will be sold to a strategic partner	Bid process and negotiations - early to mid 2000. Core activity divesture by early 2000
Public Transportation Corporation (PTC)	15-year concession	Contracts signed with local operators	Deal closed on 19 November 1998
Aqaba Railway Corporation (ARC)	Awarding BTO and operating agreement to upgrade and operate railway and to build two extensions	Contract signed with 4 international bidders (Rayteon/Winconson Central Consortium)	Deal closed. A lease agreement was signed in 18 August 1999
National Electric Power Company (NEPCO)	NEPCO unbundled into three companies	Sector restructuring Completed	Privatisation was expected by 2002, was delayed.

In order to select the case companies, four selection criteria were distinguished. First, the companies were/would be owned/controlled by a multinational company. Secondly, the companies would be privatised within the time frame of the study. That is, the date of the privatisation would be early enough to enable changes in the HRM strategies and policies of the privatised companies to be traced over a sufficient period of time. Thirdly, the privatised companies were located in Amman, in order to facilitate access to key staff and company records, and allow multiple visits to the companies. Fourthly, access and co-operation of the companies could be arranged through the personal contacts of the researcher and the support of the Executive Privatisation Unit at the Prime Ministry in Jordan.

In the light of these criteria the following companies were therefore excluded from the study for the following reasons:

1. *Public Transportation Corporation*: this company was considered inappropriate because it did not meet the selection criteria of foreign ownership/control as the agreements were signed with local operators.
2. *Ma'in Spa*: this company was excluded from the study because it would take at least a year before the investment and works programme to be undertaken by the new operators have been completed and parts of the complex might be shut down during this period. In addition, the company was not located in Amman.
3. *Aqaba Railway Corporation*: this company was excluded because the main function of the new company was to Build-Operate and Transfer (BTO) a new project. As a result, it would not allow the examination of changes in HRM strategies and policies. In addition, the company was not located in Amman.
4. *National Electric Power Company*: this company was discarded since it was still in the early stages of privatisation and would not be fully privatised for another two years. However, in July and August 1999 interviews were held with three senior managers in the company: two personnel/HRM directors (General Manager Assistants for Administration); and the Institutional Planning Manager, since at that point it was not clear that the privatisation process would take so long.
5. *Royal Jordanian*: The privatisation was not feasible within the study's time framework and the privatisation process was taking longer than expected.

However, two interviews were held with the HRM director of the company in December 1998 and July 1999 respectively, since at that point it was not clear that the privatisation process would be so drawn out.

The exclusion of these companies therefore left three possible case study organisations which fulfilled the selection criteria. These were Jordan Cement Factories, The Water Authority of Jordan, and Jordan Telecom Corporation. By coincidence, this combination of companies had a further advantage in that they all involved French multinationals and therefore, enabled the country of origin to be held constant.

Subsequently, access to these companies was sought. In the Jordanian context, this initially involved contacting the Prime Ministry, which had overall responsibility for the privatisation process, via family contacts in order to gain its support for the project and to get it to instruct the companies to take part. This approach reflected the role that family connections play in Jordanian society and its previously mentioned hierarchical nature, as well as the fact that civil servants in Jordan are prohibited from getting involved in political issues – considerations which were compounded by the more general political sensitivity surrounding the privatisation programme. Fortunately, the Prime Ministry was happy to support the project and to issue such instructions to the General Managers of each of the companies. Following the issuing of these instructions, the three General Managers were contacted and they, again because of the hierarchical nature of Jordanian organisations, then, made it clear to other managers that they should fully co-operate with the project.

Conduct of the Case Studies

In total, 67 semi-structured, face-to-face interviews, were conducted with company managers. The number of interviews carried out in each company ranged from 16 to 30 interviews per company. Details of those interviewed from the companies are given in Tables 4.1.a, 4.1.b and 4.1.c in Appendix 4.1. The conduct of the case studies spanned around three years during which time data was collected continuously from the companies. In addition to the total number of interviews reported above, some follow up telephone interviews were conducted with managers and informants to gather information on specific issues and to corroborate information received from other sources.

More specifically, the actual interview phase of the case studies essentially encompassed five elements. These are discussed below under the following headings: baseline interviews, initial follow up interviews, interviews at corporate headquarters, and follow up interviews, and triangulation.

Baseline Interviews (1989 / 1999)

To achieve the aims of the study it was considered imperative to gather data on the human resource policies of the selected companies that were in place before, or immediately after, privatisation to establish a baseline for tracing any subsequent changes. Accordingly, an interview schedule was developed and interviews conducted with senior managers and human resource directors in each of the selected companies.

The decision to interview both senior managers and HRM directors was made in order to corroborate data to ensure the validity of the study. Thus, interviews with case company senior managers and HRM/Personnel directors were seen as likely to yield different perceptions of the same phenomenon as well as provide multiple sources of evidence: that is, data triangulation. The senior managerial interviewees were selected on the basis of availability and information provided by the company as to those who were best positioned to address the relevant issues. Details of those interviewed are given in Appendix 4.2. As regards the contents of the interviews, information was gathered on the following issues: the link between business strategy and HRM strategies; key areas of change in HRM strategies and policies; organisational structure; management style; communication channels; and planned or predicted changes in the organisation (see Appendix 4.3).

As regards the interviews conducted with HRM/Personnel directors, these were used to gather data on HRM strategies and policies before privatisation, recent changes in preparation for privatisation, and their predictions about potential changes after privatisation (see Appendix 4.4). More specifically, in addition to seeking information on existing HRM functions and general strategies, the study in line with Wright and McMahan (1992), Dowling and Schuler (1990), and Schuler *et al.* (1993), the interviews focused on the changes introduced in the three case study organisations in respect of six areas of HRM practices: staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and employee communication and consultation.

The above decision to focus the interviews on managerial personnel, a focus that was also adopted in the other phases of data collection detailed below, was taken for two main reasons. The first was that the study was concerned with examining strategies and policies that were either in the process of development or were in their early stages of implementation. As a result, it was felt that only managerial personnel based at corporate headquarters and the Jordanian subsidiary would be able to provide detailed information on not only their nature, but also the factors that had informed their development and the progress that had been made in implementing them. The second was that, even if this was not the case, access to more junior staff was likely to be problematic because of the hierarchical nature of Jordanian organisations and the associated unwillingness of managers to expose themselves to criticism from subordinates. Indeed, it should be noted that managerial participation in the study was only obtained through high level political connections and instructions which reassured local Jordanian managers that they would not be breaching existing organisational rules by taking part.

Initial Follow Up Interviews (1999/2000)

The second phase of the case studies' interviews encompassed the collection of information on the changes which had been, or were in the process of being, introduced in the area of HRM, the factors which had influenced these changes and any planned future changes. The information in question was gathered primarily through interviews conducted with company directors, senior line and finance managers, and human resource staff. Accordingly, different interview schedules were prepared for each one of them as shown in Appendices 4.5, 4.6, 4.7and 4.8. Different interviews enabled the triangulation of the information gathered and provided different perceptions of how the changes were implemented and why, as well as the process of implementing them. The data gathered also provided specific information relevant to each company that needed to be followed up and clarified with corporate headquarters.

Interviews at Corporate Headquarters (June 2001)

Face-to-face semi structured interviews were conducted mainly with HR directors/senior HR staff based at corporate headquarters in France to gather data on: the HRM strategies and policies of the MNCs globally and in Jordan; and the factors influencing these strategies and policies, again both generally and in respect of Jordan in particular. A new interview schedule was developed which covered seven broad areas (see Appendix 4.9): parent company influence over subsidiary HR policies; HR reporting and performance monitoring; mechanisms of information sharing; use and role of expatriates; training and development; corporate culture; and general business information that covered issues, such as the parent's international corporate strategy and structure, the range and type of its activities and its future expansion plans.

The above information also helped to triangulate data collected from the operating units. Although interviews with expatriate managers in the operating units in Jordan provided important information about both corporate headquarters and the local levels, interviews at headquarters provided even deeper insights into the parent company's philosophy, how it manages it human resources across borders, and the factors affecting its approach.

Follow Up Interviews (July/August 2001)

Further face-to-face semi-structured interviews were held in Jordan with case companies' senior managers, HRM directors and managers, as well as employee representatives, to follow up the changes in HRM policies and practices, the process of their implementation and the factors influencing them. For example, interviews with department and plant managers, and employee representatives helped to follow in more detail how the new policies were perceived and implemented within the subsidiary. These interviews further helped to complement and corroborate information received from the earlier phases, follow up important emergent issues, establish the difficulties encountered in implementing the desired changes and identify the changes that were still in the process of completion.

Triangulation

Throughout the previous interviews and visits the findings of the interviews, which were mainly taped and, on average, lasted one and a half hours, were supplemented by documentary evidence in order to facilitate data triangulation. The documents included company annual reports, organisational charts, policy statements, memos, in-house journals and newsletters, memos, administrative records, newspaper articles and corporate Web sites.

Data Analysis and Write Up

At the outset of the study an initial list of categories was designed based on the findings of the literature review and the study's related aim and objectives. Then, during the process of data collection, these initial categories were expanded or reduced and sub-categories were created to permit systematic analysis (Miles and Hubermann, 1994: 65; Milcs, 1979). At the same time, a database was created for each case study and evidence from them was organised under these categories and sub-categories. Throughout this process, evidence from the multiple sources of information on the same topic, such as interview transcripts and internal documents, was synthesised and a chain of evidence maintained (Yin, 1998).

Subsequently, these categories were developed into three main themes (Miles, 1979). The first of these focused on the IHRM strategies of the companies globally and in Jordan. In doing so, it encompassed a consideration of four issues. These were: the parent companies' HR philosophies and the role of corporate HR; the HR changes that the companies typically made when they acquired subsidiaries; the way in which these reforms were implemented; and the obstacles the companies commonly faced during the process of reform and the methods they used to overcome them, both generally and in the case of Jordan.

The second theme focused upon the firms' internal structures of power and control, as well as their corporate structures. Issues encompassed by this theme included the degree of autonomy granted to subsidiaries, decision-making structures, the modes of control utilised to control subsidiaries, including the use of expatriates, formal procedures, reporting requirements and processes of socialisation and networking, and the way in which corporate structures were changing in the face of growing global competition.

The third theme focused on a range of wider contextual factors that the existing internal human resource management literature suggests can exert an important influence over MNCs HR strategies and policies. These included the international management experience of the three parent companies, their mode of entry strategies, the characteristics of the industries in which they operated, and their broader business strategies, both generally and in respect of Jordan.

The gathered data upon the above themes was the subject of three main levels of analysis. The first level comprised 'within-case' analysis. During this level of analysis, sequence analysis (Eisendhart, 1989) was used to organise the longitudinal data and identify changes over time. Thus, at the end of each of the three phases of field work, data was synthesised, corroborated and analysed, and a report subsequently written. This process allowed the researcher in the following phase to investigate any discrepancies and the reasons for them and, more generally, to probe emergent themes. It also supported data triangulation by, for example, enabling data gathered from the subsidiaries in one phase of the research to be cross-checked in a later one with information obtained from corporate headquarters. The outcome of this first level of analysis was the production of a detailed narrative description of the salient features of each case study.

The second level of analysis involved cross-case analysis, where evidence from all the cases was utilised to identify similarities and differences between them and to develop tentative explanations through a 'replica logic' (Yin, 1994, 1998; Eisenhardt, 1989), a process which helped to verify the identified emergent relationships and patterns (Eisendhardt, 1989: 542), helped to increase the internal validity of the findings, and provided a good understanding of the dynamics underlying the relationships between the variables. Finally, in the third level, the results of the above analysis were used to shed light on the original research questions and to compare the findings obtained with the extant literature, and in this way enhance the generalisability to theory of the research findings (Eisenhardt, 1989).

Notes

[1] In this context, it is worth mentioning that some writers (Bryman, 1989; Miles, 1979; Miles and Huberman, 1984) treat the case study and qualitative research as synonyms.

CHAPTER FIVE: WATER CO

Introduction

This chapter reports the first case study, which concerns a water company taken over by the French MNC Suez Lyonnaise Des Eaux. Initially, information is provided on the Jordanian company and the nature of its privatisation. This is followed by the provision of background information on the acquiring French MNC and its approach towards the management of its overseas operations. Following this, attention turns to the findings obtained from the case study by considering, in turn, the changes made following privatisation in respect of the following issues: the structure and role of human resource (HR) function; staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation. Finally, a concluding section draws together the key points emerging from the case study.

The Privatisation

The Water Authority of Jordan (WAJ) is the main body responsible for the supply and distribution of water and wastewater services to the Kingdom of Jordan and consists of twelve geographic water divisions. Each division is headed by an administrator who reports directly to the secretary general of WAJ, who, in turn, reports to the Minister of Water and Irrigation.

On 19 April 1999 the Jordanian government signed a water management and wastewater treatment contract for the city of Amman and its outskirts, a part of the organisation known as AGWA, with a consortium led by the French Company "Suez Lyonnaise Des Eaux". Under this contract the operator was granted a four-year license, with effect from 31 July 1999, to manage the distribution of water without the loss of government ownership or control.

The four-year license made the operator responsible for running and managing the water network in the Amman area, which serves 37% of the total population of Jordan - around 1.6 million inhabitants, and 9% of the total area of the country. Subsequently, if the contract succeeds, the government intends to adopt similar contractual arrangements in other parts of the water industry (Mansur, 1998).

Under the financial agreement between the government and the operator, the operator is paid a fixed fee of US $8.8 million, which is paid from a World Bank (WB) Loan of US $55 million to the Water Authority. In addition, the operator will be paid 5% of any financial improvement achieved by reducing expenses and/or increasing revenues. The operator's costs are financed through two especially created funds. First, an Operation Investment Fund (OIF), again financed from the WB loan, of US $24 million which covers the procurement of equipment and vehicles, water meters, pipes and other supplies. Secondly, an operating Expenditure Account (OEA), which represents the annual approved budget for the Service area and covers all the operating and maintenance expenses, including the salaries of the seconded staff, electricity, and consumables. This fund, which is financed by WAJ, currently amounts to JD 18 million and is distributed via monthly payments to the operator.

More specifically, under the contract the operator is required to achieve a number of specified outcomes (Ministry of Water and Irrigation, 1998). These are:

- Improve the cash flow and financial sustainability of the sector;
- Reduce the scale of unaccounted water (UFW) and increase operational effectiveness;
- Improve the constancy of supply to all subscribers in the service area;
- Attract capital for improving and refurbishing the water infrastructure serving the service area;
- Improve water quality;
- Reduce average response times for dealing with customer complaints; and
- Improve the training and development of the staff working in the contract area.

The Acquiring Company

This section provides background information on the French MNC. It does so by initially describing the origins, activities and size of the parent company, and then by exploring the way in which it seeks to manage its human resources within overseas subsidiaries.

The Company: A Brief Profile

As mentioned earlier, the operator is a joint venture led by the French MNC Sues Lyonnaise des Eaux, which was founded in June 1997 through the merger of the Campagnie de Suez and Lyonnaise des Eaux. Despite its recent formation, the key constituent parts of the company have existed since the nineteenth century, during which time both companies have pursued an international growth strategy through a series of mergers, acquisitions and takeovers.

The newly merged company has a wide range of businesses consisting of energy, water, waste services, construction activities and associated services, and financial services. It has a matrix structure under which its operations are managed via product/functional divisions, rather than along territorial lines. In 1999, the company employed 220,000 employees, of whom 150,000 were based outside France in 120 countries, and achieved a turnover of 31.5 billion euros.

However, the core businesses of the company are: energy, water, waste services, and communication, which between them accounted for 75% of revenues and 85% of the company's net income in 1999. In water, Suez Lyonnaise des Eaux is the world leader in water services, with activities in more than 60 countries around the world, and has extensive involvement in the financing, design and construction of installations, concession management, water conditioning and associated services, as well as water resource management. These activities are united in a single integrated division.

Water is considered to be a major area of potential international growth for Suez Lyonnaise des Eaux, this being reflected in the fact that during the period 1997-2000, the company's strategy was to double its revenue from this business from countries outside of France and Belgium. More particularly, the company sees great growth opportunitics in the Middle East. Its involvement in Jordan is consequently seen as an important stage in the development of the company's activities in the region, which have already spread to Egypt and Gaza.

The Parent Company-Subsidiary Relationship

At the corporate level of the MNC there is a small HR team, which consists of fifteen members of staff. These staff are involved in three main areas of activity. First, a limited range of HR functions relating to the recruitment, career management, mobility and succession planning of the top slice of 500-1000 senior executives in the whole organisation. Secondly, managing the corporation's stock options and employee share schemes. Thirdly, institutional relations, particularly, with social partners – trade unions. However, the corporate management is currently having a debate internally about whether this last issue is something that should in future be dealt with at the business unit level.

Apart from the above three key areas of activity, the central corporate HR leaves operational HR management decisions to the divisions. Thus, for example, the HR issues in the Water Division are dealt with from the Division's head Office at the parent company in Paris.

The parent company's Water Division adopts a flexible approach towards the management of its overseas operations within the area of HRM because of a belief that HR policies should be, while internationally acceptable, tailored to each country's specifics. For example, the international HR director for Water noted:

> *We are a federation of local businesses operating in quite a sensitive area of public services.... Each country and each business unit is specific to its local environment. We should not and do not want to change that. What we do want is for people to be able to see that the name of the parent company stands for certain things and they are consistent worldwide. We don't want everybody to look the same and everybody to be the same and everybody to do the same. It is this balance between being a local community business but bringing everybody to the same standard of behaviour and performance – 'think local act global'.*

Accordingly, the Water Division does not apply company-wide HR policies across its subsidiaries worldwide. Instead, central direction is limited to a booklet which only details general guidelines. Moreover, subsidiaries have the freedom to decide whether to implement these guidelines or not. Thus, the HR international director observed that:

> *'Our view in the centre is that I manage a global network of HR professionals. I have regional HR directors in 5 or 6 zones in the world and they report to me. I don't care whether they use as guidance what we use in Argentina, the UK or France. What matters is good professional practice and that it works for the job they are trying to do. I am confident that what happens in the UK is up to the standard and I know what*

happens in Argentina is up to the standard. So we have to take what works'.

Consequently, the Water Division insists that its subsidiaries all over the world apply common principles, rather than common policies, in the following areas: recruitment to managerial positions; performance management systems; training and development; career management; succession planning; compensation and benefits; and trade unions relations and social partnership. In relation to this, the international HR director noted:

> *'...I wouldn't say common policies but consistent policies based upon common principles...So what we do in each country may not be always the same but the principles that underpin it will be the same and hopefully the way in which we apply it will be the same...These things are not optional and they have to do them. How they do them should fit with the local culture...'.*

According to the international HR director, the MNC's approach too its overseas operations was driven by four main considerations towards the management of its international operations. First, a belief that its business stands for certain values and beliefs in the marketplace. Thus, it insists that all of its operating units worldwide respect those values and beliefs. Secondly, a desire to protect its commercial image by avoiding the mistreatment of its employees. Thirdly, an aim to get a better performance from the employees by treating them justly and equitably. Finally, a view that water is a local business which touches peoples' lives in local communities and a related belief that the people working in this sector, whether private or public, should take pride in serving their local communities.

At the same time, this decentralised approach, embodying, as it did, 'guidance' rather than 'prescription', was supported by systems of financial control which incorporated the setting up of financial performance targets, such as return on investment, cost control and profits, and the related collation of information from subsidiaries to enable performance against these targets to be assessed. Accordingly, the output of the HR policies adopted by the subsidiaries is assessed in terms of the business performance of the subsidiary as a whole.

The Nature and Process of HRM Reform in the Acquired Company

This section initially examines the changes made to the structure and role of the HRM department, including the way in which the various policy initiatives that were developed under the function's umbrella. Following this, an examination is provided of the reforms in the following areas: staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation.

The HRM Function and its Activities

In the former AGWA civil service regulations were applied. The personnel section head was responsible for personnel issues and was assisted by three clerks, who mainly performed administrative jobs. The personnel section head reported to the administration manager who, in turn, reported to the administration and finance director, then to the AGWA administrator, then to the secretary general and finally to the minister.

Decision-making was very centralised and everything had to be referred to the Secretary General of the Water Authority at the Ministry of Water and Irrigation. Thus, the new personnel manager (a former AGWA employee) observed: *'Before we had to refer everything to the secretary general, even if we wanted to punish an employee or give him permission to drive a car. The administrator only made recommendations to the Secretary General'*. Similarly, the HR manager (another former AGWA manager) stated that:

'There was nothing called HR in AGWA before. There was no health and safety, no training, no payroll, and no database. The personnel section was very weak and it was totally dependent on the centre.'

When the new management took over HRM became part of the company's overall strategic plans and an experienced British senior director from the parent company, who is a member of Water Co's executive board, was appointed head of the HR division. By August 2000, the number of people working in HR had increased from four to eleven, personnel and payroll databases had been set up, and a number of sections within the HR division had been created covering issues such as health and safety, training, payroll, and personnel.

The managers of these sections reported to the HR manager, who was appointed internally to be the line manager in charge of HR, and who, in turn, was line managed by the HR director. However, HR remained locationally centralised in that there were no personnel/HR sections on any of the five main and 150 smaller sites operated by the company.

In addition to the above changes, a comprehensive employment policy, which incorporated a range of new HR policies, was prepared and submitted to WAJ by the HR director. The main HR policies covered in this policy included recruitment and selection, training and development, performance appraisal, rewards and benefits. Thus, the HR director observed the following:

'HRM did not exist in the organisation before privatisation. They didn't have a HR department and HR was not practiced in AGWA. Thus, it was important for me to make the role of HR clear and show the difference between personnel and HR, at least in the tasks'.

The new management argued that it had introduced these changes, only some of which, as shall be seen, had been implemented at the time of the research, in order to apply modern

HR and because of a belief that HR needed to play a more central role in the organisation. Thus, the HR director further observed:

> *'These changes were introduced to apply modern HR. We believe HR is an important function and had to exist and it didn't exist... All you see now is changed, as previously there were only a few administrative tasks, which were and still are being done by the personnel department...The role of the HR department is to manage the people in the organization to ensure that they get the best people in the organisation.'*

However, it needs to be recognised that WAJ, as a condition of the privatisation proccss, imposed a number of conditions about the management of human resources. In particular, it required the company to establish an HR division, a computerised personnel/HR database, and a payroll database and to further submit a comprehensive employment policy. On the other hand, from the company's point of view, these changes were necessary and had to be done in any case.

An important objective of the new HR policies was to change the culture of the organisation, reform the previously bureaucratic system of management and, more generally, to enhance the HR Division's contribution to the achievement of organisational objectives. Nevertheless, the new management, in recognition that the whole philosophy of work in Water Co was different from that typically found in a western company, took the view that a relatively gradualist approach to change was required. For example, the HR director noted:

> *'Our strategy in terms of the organisation is not to try and change everything overnight...But we will certainly change the culture of the organisation because the culture of this organisation has been a bureaucratic civil service culture and we need to make it more customer and finance oriented'.*

At the same time, the new management in Water Co chose to adopt an approach which placed an emphasis on developing arrangements that would work in the local context. For example, the HR director noted:

> '...*It is not feasible to have a single corporate culture between the UK and France, so the chances of getting a single corporate culture between Jordan and France is less...*'.

Indeed, the HR director considered himself to have the full freedom to apply the policies he thought to be suitable to the organisation, as the following quote further illustrates:

> '*I don't necessarily have to apply the French parent company's policies here in Jordan...In Jordan I apply British policies from my experience in the UK...There isn't a single policy that exists in the MNC although they have certain things and we can rely on the standards if we want to...We develop our own policy and clearly it is based on the experiences we've had...*'

The scale of this local discretion therefore confirmed the points made earlier about how the parent approached the control of its subsidiaries, namely through financial systems under which the MNC was primarily concerned to establish budgetary parameters within which the HR decisions are taken. The role of the French finance director appointed from headquarters in Paris to head the finance division in Water Co illustrated this clearly.

This finance director, who reported to the executive director and the executive team in Jordan, as well as the financial controller at headquarters in Paris, had to prepare monthly financial reports utilising standard forms that are used by all subsidiaries worldwide. These reports include profit and loss, balance sheet and cash flow statements, as well as information on such matters as movements in pay, labour costs and numbers employed. Furthermore, this department was required to prepare a yearly budget and quarterly updates, along with a medium term plan which showed how management saw the company developing over the next four years.

In addition to this financial reporting, a continuous dialogue was maintained between the finance director and headquarters. For example, the subsidiary's finance director called HQ once or twice a week and corporate finance personnel made annual visits. Thus, the financial reporting system that had been set up was basically one that monitored performance, not day-to-day management. In fact, financial control was effectively used as a substitute for hands on management.

Consequently, subsidiary managers were left largely free to manage the subsidiary's daily operations in the way that they wished, providing that everything was covered by an approved budget. As a result, the new accounting system at Water Co could be seen to support a more decentralised and performance-based approach to management. For example, in commenting on the degree of centralisation of the parent company and the freedom given to subsidiary managers, the finance director explained the following:

> *'The parent company is largely decentralised, even though everything is reported. Apart from the budget, subsidiaries have a lot of power. They submit the budget and around it action plans and comments and if they are approved, it is OK. Then it is up to the subsidiary managers to run the day-to-day business of the company. Now if you spend less you are rewarded and if you spend more you may be punished for bad management, especially if you do not report the excess spending. However, if you spend you must explain why because we need to analyse this information and we may have to take these things into account...They need to monitor this and monitoring takes place through the monthly reports sent to corporate headquarters...Everything should be reported to headquarters in Paris where it is important. For example, an increase in salaries by 15% should be reported because it has big implications'.*

In a similar vein, the international HR director commented that:

> *'We believe that we are decentralised and we try to behave in a decentralised way. I would be foolish to say we always succeed but you can't manage the local water supply in Lopez in Bolivia from Paris. We believe it is right to adopt a decentralised approach...It is the nature of the business. It is a community business and it is a local business.'*

However, care must be taken not to exaggerate the degree of freedom given in the area of HR due to a number of elements that acted to place limitations on how subsidiaries exercised this autonomy. For example, the HR policies had to be designed according to the general principles and guidelines of the parent company about the management of human resources, as shall be seen more clearly in the following sections which discuss the changes made in relation to the HR activities. In addition, it seemed likely that some of the new HR policies had in reality been developed bilaterally given the responses by the international HR director at headquarters in Paris, the HR and finance directors in Jordan, to interview cards which sought information on the locus of decision-making in respect of a number of issues. These responses are detailed in Tables 5.1.a, 5.1.b, and 5.1.c in Appendix 5.1.

The reporting systems and informal communications between the subsidiary and the parent company also acted as a source of constraint on the subsidiary. Thus, while the HR director in Water Co stated that there was no direct reporting relationship between the corporate HR department and the subsidiary, he did report to the executive director in Jordan who, in turn, submitted a monthly report to the chair of the Jordanian company in Paris, and maintained almost daily telephone contract with him.

More specifically, the HR director submitted detailed monthly reports to the executive director, which included information on such matters as numbers recruited, number of employees returned to WAJ, training delivered, and health and safety. He also, as shown in Table 5.2.b in Appendix 5.2, provided information to a group from corporate headquarter that visited Water Co once every year and collected data on overall labour costs, labour productivity, and numbers employed.

Moreover, this approach towards HR reporting was at the time of the research being revised following the appointment of a new international HR director of the Water Division. Thus, according to this new director, a new formal reporting system was to be introduced at the end of July 2001. In this new reporting system, HR in the subsidiaries would report indirectly and quarterly to corporate HR through the regional HR directors. In relation to this, the international HR director stated:

> *'Currently, there is no formal reporting mechanism, just a quarterly summary report. However, I am about to introduce one...At the moment they are not required to provide anything other than what we ask for. Once I have introduced my formal reporting they will be. We'll collect basic statistics such as numbers of employees, new hires, leavers, movement of the senior population and high potentials.... These are the ones I am interested in.... Then it is the narrative stuff...The information will be collected indirectly through the regional HR directors quarterly or as and when necessary...Standard reporting forms will be used'.*

On the other hand, it seems that while this information had not previously been collected by corporate HR, it had been collected by corporate operations division. This is borne out by the responses of the HR and finance directors in Jordan and the international HR director to interview cards, which sought information on the collection of data on issues relating to the performance of the subsidiary (See Tables 5.2.a, 5.2.b and 5.2.c in Appendix 5.2). In broad terms, the responses obtained showed that corporate HR at the Water Division collected information on such issues as managerial pay packages, strikes and other forms of industrial action, numbers of resignations and numbers recruited, and training given. In addition, other HR related information such as overall labour costs, numbers employed and labour productivity was collected, by the operations division, through a small group of corporate staff who visited the subsidiaries once a year to collect it for benchmarking purposes.

In addition to the above, periodic visits were made by corporate staff to monitor the performance of expatriates and to get a clear picture on the ground of how the subsidiary was managed in general. For example, the chair of Water Co, who was based in France, as well as other board members, visited the subsidiary every two months to attend board meetings. Similarly, the international HR director visited Jordan twice and the HR regional director also visited the subsidiary in Jordan in March and May 2001. On commenting on these visits, the international HR director observed that:

> *'...We prefer people from headquarters to go to the ground rather the other direction... When I go visiting some of our business units I go to see how the business is performing, how the individuals are performing, to feel how things are working on the ground where I get a much better feeling, and to monitor the performance of our expatriates and so on. You can't do that sitting here in Paris'.*

These periodic visits also helped in networking and served to pass on and share information among the subsidiaries. For example, the HR director observed that:

> *'In the job I used to have, I travelled all over. I might come to Jordan to visit the HR manager after just visiting South Africa, so I'll say they've just had the same problem and this is what they did. I'll pass on bits of information...'.*

These visits were furthermore, supported by regular meetings held by the regional HR directors. Thus, regional HR directors met every three months to share information and develop policies. Subsequently, HR regional directors visited the subsidiaries every two months to transfer the outcome of these meetings to the subsidiaries. After these visits, HR regional directors reported back to corporate HR about the business units in their regions. For example, the HR director in the Jordanian subsidiary noted:

> *'I don't attend meetings. Only regional HR directors have regular meetings. For example, the HR director in the UK meets with the HR director of France and meet the HR director of the Far East...But I am not part of it.....They share policy initiatives'.*

Furthermore, the regional HR directors, in addition to submitting a formal report every quarter to corporate HR, maintained an almost daily dialogue with corporate HR. Thus, the international HR director at the Water Division observed that:

> *'There is a formal report every quarter. But we speak everyday over the phone. We speak regularly. For example, almost everyday I speak with the HR regional director in Casablanca – we speak regularly'.*

Line Managers and HRM

As mentioned earlier, decision-making was very centralised before privatisation. After privatisation, expatriate managers tried to change this situation by devolving more responsibility. For example, the previous personnel manager, who formerly worked for the HR director, used to send bundles of paper to the general manager everyday for signature, and this practice was stopped. In relation to this, the HR director observed:

> *'After a few days I was sending all forms in Arabic back to the personnel manager for things such as one employee needed a holiday. So I said I don't want to see this to the manager, you deal with it'.*

Similarly, in the finance area, the creation of a more performance-based accounting system was designed to support more decentralised management by encouraging the empowerment and accountability of individual managers. For example, the finance director noted:

> *'The decision making process was extremely centralised especially in the area of finance and there was no delegation at all as everything was reported to WAJ headquarters for decisions. People are not used to taking responsibility nor taking action. We made some changes such as more delegation, more freedom, more flexibility and the ability to take action faster. We train people to take responsibility, at least to be authorised to make some mistakes, to act and to be forgiven if small mistakes happen but to act'.*

However, despite the desire to devolve authority and decentralise decision-making, in terms of HR, by August 2000, the devolution of authority to managers was still limited.

This is borne out by the responses of the HR director to interview cards which sought information on the changes of responsibility and authority of line managers in relation to a number of issues. The findings are detailed in Tables 5.1 and 5.2.

Table 5.1 The Degree of Change in the Responsibility in Line Managers Role

Area of change	The degree of change
Control of absence	'More control. The responsibility hasn't changed but we forced them to do it more than they did before'.
Discipline of subordinates	Yes
Appraisal of subordinates	'It is not introduced yet for everybody'.
Communication with subordinates	'It hasn't changed formally. They don't formally communicate on our behalf. We send notices out to employees. We haven't really cascaded the system. We've communicated the policies ourselves. The supervisors are not trained yet and until we get a good management supervisory training, I think we have to do that ourselves'.
Training of subordinates	No
Recruitment	No
Planning manpower requirements	No
Paying attention to budgets	'Yes. We started training them on that'.
Control of costs	Yes

As can be seen from Table 5.1, no change had been introduced in a number of areas in terms of the responsibility given to line managers. Thus, Table 5.1 shows that line managers had been given more responsibility only with regard to paying more attention to budgets, and controlling and reporting on absence more formally and regularly.

In addition, as can also be seen from Table 5.2, the supervisors' authority to make final decisions in relation to a number of issues followed a rather similar path. Thus, Table 5.2 below shows that no changes had been introduced in a number of areas regarding the authority of line managers to make final decisions except for deciding the level of bonus paid to their subordinates, and conducting investigations concerning disciplinary issues.

Table 5.2 Supervisors Authority to Make Fioat Decisions

HR/Personnel Issues	Authority to make final decisions
Taking on people who work for them	No
Deciding on pay rises for people who work for them	No
Dismissing workers for unsatisfactory performance	No.
Attendance/Absence	'They don't have any influence, but they should report it'.
Disciplinary issues	'Yes. They conduct the investigation but decisions are not taken by them. They report to senior line managers'.
Other HR/Personnel issues	'Yes. Bonus, as they decide the level of bonus pay of their subordinates'.

With regards to the relative amount of small change that the above responses indicate, this appeared to reflect the organisation's gradualist approach to change and two further considerations. First, an awareness that local line managers were not yet used to more western ways of working whereby people at lower levels are allowed to make decisions. Secondly, a belief that line managers first needed to be trained in people management skills. Thus, the HR director explained:

> *'There is more delegation than before. We haven't solved many issues as there is still too much centralised decision-making and we haven't managed to empower the people as much as we would liked to have done... We devolved on a minor scale so far, and we'll devolve further in the future. It is good to allow supervisors to have input but we have to train them first. That's the problem because we haven't trained supervisors yet as we concentrated on the vital training issues...None of the supervisors have been trained in people management skills. We want to introduce it but absolutely none has been done yet. This year we have to concentrate on the management and supervisors training.'*

Nevertheless, the three line department managers interviewed considered that their responsibilities had, in general, increased. More specifically, they did consider that they had more responsibilities in the following six areas. First, the training of their subordinates, because they now identified the training needs of their subordinates and could recommend training for them. Secondly, the use of performance appraisal to determine the bonus pay, which was seen to involve more risk and responsibility since, in the past, the appraisal was only a formality and was not linked to pay. Thirdly, recruitment and selection because departmental managers could now be part of selection committees. Fourthly, paying attention to the budget and the control of costs, as now the managers were required to estimate the relevant costs in order to draw up each division's budget. Fifthly, planning staff requirements because managers were now involved in determining their staffing needs and were able to suggest ways to increase or decrease the numbers of staff required. Finally, communication as a result of the need, following the holding of regular meetings with senior management, to subsequently relay the outcomes of such meetings to their subordinates.

This sense of increased accountability and responsibility on the part of line managers also seemed to have been accompanied by a greater degree of self-confidence and a reduced fear of making mistakes. For example, the project manager stated:

> *'Now there is accountability. Now you are given a job and if you do not perform you are questioned and there is an evaluation of the work. We were also given self-confidence as now we work without fear. Before, if you made a mistake, then this was considered unsatisfactory and you were punished. Now we are not punished directly and we are asked about the reasons for the unsatisfactory performance... We didn't have the authority that we have now. Now we discuss and share in decisions. Now we discuss the decisions and give them to the director and sometimes I sign instead of the director.*

Staffing Levels and Composition

Under the terms of the management contract, three different categories of staff were identified: the management staff; the existing staff; and the newly employed staff. Subsequent developments in relation to each of the three categories are outlined below.

Management Staff

Following the award of the management contract to Water Co, a board of directors was formed and a French director, who is based at the MNC's headquarters in Paris, was made chair of it. Subsequently, in the period following the takeover, some restructuring of the organisation took place. This restructuring entailed the creation or amalgamation of some divisions in the company, which increased the number of divisions and the levels of management from five to six and four to five respectively.

Expatriate managers were appointed to head the new divisions and form an executive board responsible for the day-to-day management of operations. More specifically, the executive board consisted of three British directors: the executive director, the HR director and the technical director, two French directors: the finance and the customer services directors, one German director responsible for operations, and two Jordanian senior managers, namely the deputy executive director (former AGWA administrator) and Zai Division director (former AGWA senior manager).

More generally, a total of 50-60 expatriates were appointed. Six of these, each of them directors, were appointed for periods of between two and four years. As to the remainder, some of the middle management positions were for more than one year, and the rest (around 40) were short-term appointments of between one to three months. These short-term expatriates were experts and specialists who were used to solve specific problems relating to such technical matters as the operation of the treatment works, and the storage of water in the canal, and to deliver training. For example, some consultants were appointed for two months to provide advice on crisis management, while others, like health and safety experts, were brought in to deliver training in the company.

This policy of using expatriates was seen to stem from two considerations. First, assigning expatriates to subsidiaries was considered to be the quickest and most effective way to transfer know-how and develop local people to the standards that the parent company believed to be appropriate. Secondly, because of the verbal culture of the parent company and its reliance on 'socialised staff' rather than formal written instructions.

More specifically, according to the international HR director, in the case of a true concession contract in a major city, the parent company would typically put in a team of 30-40 expatriates for the first twelve months, including some lower level staff, such as supervisors. Then gradually the number of expatriates would be reduced, so that, in the second year, ten or fifteen expatriates would be withdrawn and by the end of the third or fourth year, the number of expatriates might have been reduced to a dozen or so. Thus, the international HR director noted:

> *'Now the ones who have gone would be replaced by local people and little by little we reduce the number because what we are really is our "savoir faire" – our knowledge, competency and skills and it is in our interest to transfer that knowledge.... When we started in Jordan we put in around a dozen of expatriates... Now there are 3 or 4 left today and most of the ones who have left have been replaced either by a local or by new hires'.*

On the other hand, at Water Co, some of the expatriates were appointed as a result of contractual requirements laid down by the Jordanian government which specified that expatriates should occupy all key management positions – requirements that reflected a recognition that the organisation lacked much needed technical and managerial skills.

Indeed, in assessing bids to undertake the contract, the government allocated a large number of the points on the basis of the curriculum vitas of proposed expatriate appointments. For example, the HR director noted:

> *'It was a government condition to use expatriate managers. A large number of the points of the bid were awarded on the quality of the CVs of the experts who would come here. In fact 50% of the marks were awarded on that. So the bid said you must bring in expatriates and key positions had to be filled by expatriates. So the parent company had to gather CVs for each of these key jobs and put them as part of the bid and they were assessed as to the quality. And based on that the MNC was awarded points as well as competitors and we got the most points overall and the CVs contributed 50% to those points. It is a very important factor'.*

It should also be noted that although the government wanted senior positions to be filled with expatriates, at the same time, it was also imposing conditions about the eventual substitution of those expatriates by local managers. As will be seen in the training and development section, this process of developing staff had been occurring. However, in negotiations with the company, it was agreed that three of the expatriate directors would be replaced after a two-year period. This, to some extent, reflected the company's concern about the costs of using expatriates, but more importantly, reflected the significant role played by a local HR director in the process of change management. Thus, the international HR director stated:

> *'...At the beginning when we wanted to very quickly put in place policies, procedures and progress it was quicker to achieve this by appointing an expatriate HR director. But it comes to a point in time when you need local culture and the local knowledge, particularly in the process of change management – you need a local particularly in HR'.*

Existing staff

When the operator took over there were around 1600 employees. This workforce comprised of a combination of permanent employees, those people who had been employed under civil service terms and conditions, and a group of daily workers, who as the term implies, were people hired on a casual daily basis. Developments in relation to these different categories of staff varied.

With regard to the permanent employees, under the terms of the contract, the operator was obliged to retain at least 50% of the AGWA's existing workforce on a secondment basis for four years. These were to be seconded to the operator under Article 63 of the 1998 civil service regulations. As to the remainder, these were to be returned to AGWA periodically on an annual basis. With regard to daily workers, initially they were to resign from WAJ and then be employed immediately by the operator. However, as a result of some difficulties with their health insurance arrangements, it was later agreed that they would also remain as WAJ employees, but work for the new company. Consequently, under these arrangements the operator was unable to dismiss any of the staff. Furthermore, because of the seconded nature of their employment, the company was restricted in its ability to promote daily workers to become permanent employees. Thus, the HR director explained the following:

> *Under the contract we cannot dismiss any employee even daily workers at the moment. What we can do is, if we don't want an employee we send that employee to WAJ and WAJ decides what to do with him. They have adopted an early retirement programme. They haven't had any dismissals because the people who were sent back were moved to other parts of WAJ... We still have daily workers but may be we'll be tied on what we're going to do with that. I don't think we'll be able to promote daily workers to become regular employees. WAJ will not allow us to do that'.*

Within the first month of its operations, the operator had to decide quickly on the employees it wanted to return to WAJ. Thus, initial screening of existing employees was conducted and employees were selected for return to WAJ on the basis of their qualifications, age, and interviews. In addition, according to the WAJ director of the management contract, the company during this process, more generally, decided to mostly retain young employees, as these were considered to be easier to train and less likely to leave because of retirement.

By the end of August 1999, the company had sent back around 130 employees. Subsequently, the operator negotiated with the government to send the employees back on a quarterly basis, and by September 2000, the number of employees had fallen to 1200. This number comprised 800 permanent full-time regular employees and 400 daily workers. This reduction reflected Water Co.'s desire to reach internationally accepted level of staffing – as well as the government's and the World Bank's expectations. The following quote by the HR director demonstrates this:

> *'Clearly we're going to need less employees than they did, this is part of our strategy which is also part of WAJ's strategy. They want the level of employment for the industry to be normal and right, as there are fairly solid figures about how many people you need to employ in the water industry. Based on the number of connections, we estimate there were twice many people in AGWA as we would employ.'*

The issue of how many people to dismiss or retain in the company was nevertheless problematic. Thus, on the one hand, there weren't any great financial incentives to reduce the number of employees, as the company would only get a small bonus per employee sent back, which amounted to 5% of his/her salary (average salary 200 JD per month) in the first year. On the other hand, by retaining existing staff, there was a possibility that the company might get better standards of service, particularly if it trained more people to a higher standard.

The relative strengths of the arguments for and against reducing staff numbers were therefore extensively debated. In the event, the view was taken that, given the longer-term objectives of the company, staff numbers should continue to be cut. Furthermore, the HR director stated that:

'In reality we know that the right thing to do is to reduce the company to the optimum level. That is what we're going to do regardless of what financial incentives exist. That's what we're here for and if this contract is going to be a success that's what people are going to look for...'.

In June 2000, however, a new government came to power and a new Minister of Water and Irrigation was appointed. He decided that the return of employees had to stop and that Water Co had to find a way to downsize by more commercial methods. So if Water Co needed to reduce any further, they would have to find a way of losing those employees. This view was later confirmed by the HR manager who noted:

'When the government changed and the new minister came he stopped the transfer of employees to WAJ every three months. He even refuses to take anybody back annually. Before, we could send people back but the new minister said no one can go back, neither yearly nor quarterly'.

This inevitably raised the question of what to do about the remaining employees and how to continue to reduce staff numbers. A number of options to achieve a continued reduction in staff were therefore explored, such as the introduction of an early retirement scheme and the design of a redundancy scheme. However, no final decision on these could be taken as negotiations were continuing between the government and the company about what to do. As a result, during this period, Water Co had to find ways to effectively utilise those people whom they couldn't send back to WAJ. It consequently had to consider undesired alternatives, such as the replacement of subcontractors with their own staff until an agreement was reached.

This inability to return the employees to WAJ had important implications for the company's ability to recruit new employees to bring in much needed skills. For example, the operations director noted: '...*Due to the government's restrictions we were unable to recruit many of the needed staff*'. Thus, according to the HR manager, the company's target number of employees by the end of 2001 was to be 1336 employees. This consisted of the number of people who should have been sent to WAJ plus the new recruits with much needed skills. As a result, the company had to recruit fewer new employees, and the number of employees by mid-August 2001 fell short of the target number, as can be seen in Table 5.3 which provides a summary of the composition of staff. In relation to this, the HR manager stated: *'We were expecting to appoint new people. However, many of the employees were temporary and many were appointed through the contractors and they were not subject to the contract agreement'.*

Table 5.3 Staff Composition: July 2000 – July 2001

Staff Composition	31/10/2000	31/7/2001
Permanent / Seconded	863	827
Daily Workers/ Seconded	360	338
Full-time company contracts	57	94
Total	1280	1259
Temporary employees	64	57

Another implication of the inability to return staff to WAJ was a decrease in the level of bonus paid to the employees. This was because the average percentage of bonus set to be payable each year was based on the expected reduction in the number of employees. Consequently, as many employees who should have been returned to WAJ continued to be on the pay bill of the company, the average percentage of bonus paid in the second year decreased from 11.4% in the first year to 9.8% in the second, rather than increasing, as planned, to 13.3%.

The returnees' problem remained unresolved for a year as WAJ continued to refuse to take back any returnees, except for a few individual cases where the seconded employees requested to return to WAJ for personal reasons. Eventually, however, the problem was resolved when a new Minister of Water and Irrigation was appointed in June 2001 and he approved the return of the seconded employees annually according to the contract. Thus the HR manager stated in interview in August 2001:

> *'Now the new minister has allowed the return of the employees according to the contract as he is not willing to breach the contact. He allowed it annually according to the contract. But this will be done according to a memorandum of understanding, which the minister suggested in order to solve all the hanging problems and issues. These problems include the returnees, the bonus scheme, the overtime pay, the organisational structure, changes in the contract and many other issues. The memorandum has not been prepared yet. We had a meeting with the new minister and he said that we want to solve all of our hanging problems through a memorandum of understanding and accordingly we shall continue our work according to the contract.'*

Newly Recruited Staff

By August 2000, the operator had employed 60 new employees on fixed-term contracts and another 32 'short-term' temporary staff. Those appointed included engineers, professional managers and specialists, such as a procurement manager, a training manager and a customer services manager. In addition, the company also employed a number of outside contractors and leased cars with their drivers.

The new staff were appointed to fill vacancies created by the new organisational structure and, more generally, to address identified weaknesses in the organisation's existing skills base. However, their recruitment, at a time when staff were being returned to WAJ, created political problems with the government. In particular, the company faced problems concerning the use of temporary workers on fixed contracts.

WAJ was hesitant about too greater use of such contracts because it was perceived to be circumventing the role of WAJ employees in filling vacant posts. Indeed, WAJ argued that the company didn't have the right to make such appointments, as the use of temporary workers was not included within the terms of the management contract.

At the time of the research, the company was unhappy about these restrictions including the appointment of fixed-term staff only for a maximum period of four years - until the end of the four-year management contract. This unhappiness reflected the concern about losing valuable new members of staff. For example, the HR director observed that:

> *'According to the contract, these people have to leave. For example, I have employed a training manager. He has been here for 6-7 months and he is on a four-year contract and at the end of the contract he knows he has to leave, unless changes take place in the contract between now and then. We are trying to convince WAJ that this is not a good policy because we are going to lose the best people and the organisation will suffer because of the fixed term contract.'*

Against this background, in the second year of the contract, the company proposed some amendments to the recruitment and staffing policy. More specifically, and according to the HR manager, the new management sought to negotiate with WAJ the freedom to recruit and dismiss employees without its prior approval, and the ability to have temporary recruits. However, it was adopting a cautious approach in these negotiations since it did not wish to push the issue to the point where it threatened its broader business objectives in the country and the region in general.

Eventually, in February 2001, WAJ did approve the appointment of temporary employees. In relation to this the HR manager said: *'WAJ has sent us an official letter in February 2001, after the negotiations, informing us that they have approved the use of temporary employees on the condition that the salary of each employee should not exceed 250 JD per month'*. He further added that until 2001 the company had in total employed around sixty temporary workers on contracts that were renewed every two months and that some of these workers had been with the company for two years.

Further developments with regards to the recruitment and selection of new staff included the appointment, in December 2000, of eight potential managers who were to be trained and prepared to become the second generation of managers in the company. These managers were selected on the basis of interviews, presentations and group exercises held at the company's assessment centre. This approach corresponded to some extent with the parent company's common principles on recruitment and selection as, according to the international HR director, the parent company insists that, when recruiting at the local level for managerial or professional positions, the recruits should be young people with potential and speak at least three languages. These high potentials should be trained and developed and should be incorporated in each business unit's formal succession plan, which should be prepared for at least the top three layers of management in the organisation.

Recruitment and Selection

Prior to privatisation, recruitment was centralised and conducted through the civil service office. Applications were made to the Water Authority, which then sent them to the civil service office. Subsequently, candidates were sent to AGWA to be interviewed, and where appropriate, to undergo written and practical tests. A committee that consisted of a civil service representative, the administrative assistant manager, the personnel section head and a specialised person from the department would conduct the interviews and select the candidates, and then made recommendations to the secretary general for approval by him or the Minister of Water and Irrigation.

After privatisation, the operator became, as already mentioned, responsible for the employment of new staff. Under the new arrangements, the company tried to recruit the types of employees it considered appropriate to the jobs to be carried out. The main criteria used when recruiting new employees were their educational qualifications, experience and personal qualities. Under such criteria, the appointments were now to be made on the basis of ability, rather than, as was previously the case before privatisation, connections or cronyism – "Wasta". Indeed, this was one of the reasons why the government wanted to appoint an expatriate HR director. Thus, the HR manager noted: *'...The major policy change is that the right person is appointed in the right place. Wasta has been reduced.'*

By August 2000, only new posts had job descriptions, as job descriptions did not exist before in the organisation. Existing posts continued not to have job descriptions because the HR director preferred to see how the jobs should be done first. Thus, the HR director noted:

> *'Personally, I have a debate with myself about job description. I am not really all that keen on job description. But to do the appraisal system you have to know what your duties are, so it has to be done. I shall not be trying too hard in the early days to improve job descriptions. I'd rather look and see how the job should be done, rather than currently what they are doing at the moment.'*

In August 2001 the HR manager was in the process of preparing job descriptions for the HR division based on instructions from the executive director. Job descriptions for the rest of the organisation were to follow at a later date, subject to further instructions from the executive director. It should be noted, however, that according to the HR and training managers, the company was required to prepare job descriptions for all the jobs as a result of a request from the World Bank's and WAJ's auditor, who reviewed the company in May 2001. In relation to this, the training manager stated: *'The auditor, who speaks in the name of WAJ, requested the job descriptions'*. This was confirmed by the HR manager, who was also present during the interview with the training manager. Thus, the HR manager added:

'In its proposal the parent company said that it would provide job descriptions. Thus, the auditor referred to the technical proposal and he concentrated on this point because it was included in the proposal and therefore it became part of the contract. So when he came this year he concentrated on it'.

In terms of new posts, a special form had to be filled in by the concerned director and sent to the HR department which, in turn, made comments on whether the budget allowed for the appointment and whether the proposed appointment was sensible and then sent it to the executive director to make the final decision on whether to recruit someone for a new post or not. This action was felt to be necessary because of the political sensitivity of the issue and the need to avoid future confrontation with WAJ.

The HR department was not involved in the selection process until April 2001, when a new procedure was implemented, under which a committee headed by the relevant department manager or director and a representative from HR interviewed and selected the candidate jointly. However, it needs to be recognised that in applying this new system the company had to take cognisance of some contractual requirements. First, under the terms of the contract, the recruitment of the new staff and the terms on which they were employed had to be approved by WAJ. Secondly, the company had to give priority to internal recruitment. Thus, to fill needed positions the company had to first try to recruit internally from its own staff. Thirdly, if suitable candidates were not found, it was then required to try and acquire them from WAJ – a situation that had led the company to sometimes, according to the HR manager, accept candidates from WAJ, even if they were not suitable for a particular post.

Performance Appraisal

Prior to privatisation, AGWA used special performance appraisal forms which were provided by the government and were distributed to all government departments by the civil service office. The appraisal process was also mainly subjective in the sense that it did not include targets or agreed objectives and while the outcomes of the appraisal process were linked to promotion they were not linked to pay.

Under this previous system, appraisal was considered to be a formality and managers didn't discuss or explain to the employees how they had been rated. For example, the HR manager stated:

> *'The annual appraisal was done just for the sake of doing appraisal and it was also done for promotion purposes. When it is confidential the manager can be unfair to the employee. The problem is that managers don't discuss or explain why they gave certain rating to the employees. The problem is that the manager puts the rating and doesn't care. It is just a formality or duty to fill the appraisal form when it was confidential. The employee had no right to find out his rating unless it was less than 60%. If you were promoted you know that you had over 90.'*

Nevertheless, after privatisation, and as part of the management contract conditions, the company was required to continue to use the government's appraisal scheme and to submit these appraisals to WAJ. However, the new management wanted to use its own appraisal scheme, which corresponded to its desired standards and criteria. Accordingly, the HR director designed a new appraisal scheme for managerial and non-managerial staff. This new appraisal scheme was designed for three main purposes. First, to enable training needs to be identified. Secondly, to set objectives and review performance against these set objectives. Thirdly, to provide a method for linking pay to individual performance.

The new appraisal scheme was to be open - not confidential - and to be conducted annually by the immediate supervisors. It consisted of one part similar to that of the government's scheme in compliance with the contractual agreement, and other parts of the one which was applied in the UK headquarters, as there was not a corporate policy for all subsidiaries to follow. In relation to this, the HR director explained the following:

> *'There is a group-wide appraisal system which applies for some of the expatriates and that's all. The appraisal system is being applied separately in each subsidiary. I have prepared mine.'*

Under the new appraisal scheme, a quarterly performance review was to be carried out for the purposes of determining bonus payments based on the employee's performance. At the same time, a limit was imposed on the proportion of employees who could receive certain levels of bonus, as shown in Table 5.4 below.

Table 5.4 Performance Grading and Limits

Level of Evaluation	*Proportion of Employees in Each Level*
Top Bonus	Top 12.5%
Middle Bonus	Next 50%
Lower Bonus	The remainder of those retained by Water Co
No Bonus	Those returned to WAJ

Subsequently, and in the first year of the contract, the new appraisal scheme was applied to senior managers. However, as of the end of August 2001, a new and different appraisal scheme was to be implemented not only for senior managers but also for the company's executive directors to measure their performance and determine their bonus pay. In relation to this, the HR manager stated:

> *'Now there is a new appraisal form which was given to me by the executive director. I think this is because the board insisted on having a new appraisal to measure the performance of the senior managers and the directors. The previous one was only for senior managers but now the new one will be for both senior managers and directors. This appraisal form will be implemented at the end of this month (August 2001)'.*

This corresponded with what was indicated by the international HR director regarding the importance of applying performance management systems in their operating units. Thus, he noted the following:

> *'In the area of remuneration and compensation we also have some actions that we manage from here and that is particularly for the management team in our operating business units where we are now in the process of putting in place a more truly results and performance related systems of payment, certainly for executives and managers'.*

The situation was different regarding the appraisal of middle and lower management and non-managerial staff; as until September 2001 the new appraisal system had still not been implemented. This delay in the implementation of the new appraisal scheme was attributed to two main reasons by both the HR and training managers. First, the departure of the British director, who was strongly in favour of applying the new appraisal system. Secondly, the delay in training of all the supervisors and managers who were to use the new system.

Training and development

In the former AGWA there was no training department. What existed was a central training centre for the whole of the Water Authority that provided some technical, language and computer training. In addition, there was some external training provided by local institutes and some staff were provided with an opportunity to undergo training overseas. However, the training expenditure was only around £3.00 per employee, and overseas training was linked to the availability of external funding in the form of donations and aid from other countries and was limited to a very few senior managers. Thus, the HR manager said: '*almost no training existed in the organisation*'. A view later confirmed by the training manager.

After privatisation, significant changes occurred in the company's training and development activities. These are considered below under two headings: subsidiary level training and overseas training and networking.

Subsidiary Level Training

When Water Co took over the management of the company it had a number of contractual obligations relating to staff training and development. Under these, in the first year, it was obliged to deliver the following: to train 50% of the employees on safety; to train 100% of customer service employees; to familiarise all senior managers with modern European management techniques and send them at least once, over the four year period of the contract, overseas; to select replacements for the expatriate managers at a very early stage and to inform WAJ of the training the replacements would receive; to submit a comprehensive training and development plan by the end of the first month of the contract; and to submit a monthly report which included details of all the training provided, such as the number of staff trained, the number of training hours delivered, the number and types of training courses provided, the training spending against the budget, and the estimated costs and details of the training to be held in the subsequent months.

To fulfil its training obligations, Water Co created a training department, appointed a new training manager, established a training centre that cost around £11,000 and set up a separate training budget amounting to, approximately, £84,000 in the first year. As a result, both the training and HR managers confirmed that training had increased dramatically under the new management and that training expenditure had increased from £3.00 to £65.00 per employee in the first year.

80% of local training consisted of external training delivered by local consultants, and 20% comprised internal training. Some of the internal training, however, was provided by experts and training specialists from overseas, including from the parent company. In relation to this issue the HR director noted:

> *'This organisation did no training at all. Overseas training was limited to very senior managers. Ordinary people up to middle management had no training at all. We have done so much training since we came, even that is not good enough as it only amounts to one day's training for every member of staff'.*

The HR director and the HR and training managers reported that the company intended to provide substantial amounts of training over the four years of the contract. For example, reference was made to the intention to introduce an induction process for new employees, to develop a fast track programme to train people who were capable of becoming top managers in the future, to provide training to all managers and supervisors, and provide courses on customer service, team working, empowerment, and the parent company's culture. Indeed, in the second year of the contract the company implemented most of these training programmes. Thus, for example, in February 2001, newly recruited "potential" managers underwent a one-year fast track training programme, which included training on managerial related skills, such as leadership and flexibility.

A further change that was reported by the training manager was that a more systematic approach was now adopted towards the identification and assessment of training needs, with the objectives of providing greater professional development and motivation to the employees. Nevertheless, care needs to be taken not to exaggerate the degree to which the present training activities were now strategically oriented because the same training manager subsequently went on to observe that:

> *'There is no strategic planning as we take it year by year because Water Co. has a four year contract. However, the change will depend on the*

performance of the company, which will be evaluated by the auditors in August 2000. Water Co. might extend the contract but that will depend on their performance.'

Generally speaking, this importance attached to training potentially reflected both governmental and company influences. On the one hand, for the government, the training of managers and employees was very crucial due to the lack of local managerial expertise and a desire that local people should be able to run the company at the end of the contract. On the other hand, it appeared that this expansion in Water Co's training activities had, in part, stemmed from the parent company's policy on training and development. For example, the HR director stated:

'*...The parent company is very training oriented. We believe that training is the success of the organisation and it is going to be a good part of my job...Training and development will be a major part of our appraisal system.*

This view was confirmed by the international HR director at the parent company, who emphasised the significance of training and development to the parent company. Thus, he observed that:

'We believe in training and development.... Training and development is a very important part of our service offering to our customers because when we go to a government or a municipality one of the key things that differentiates us is the fact that we do invest heavily particularly in operator training, health and safety standards and technical skills'.

According to the international HR director, the company would therefore have provided the necessary training irrespective of whether it was a condition laid down in the contract or not. However, he pointed out that the company would have invested more in training and development in the fields of changing the management's culture and technical training if it was a concession and not just a four-year management contract. In relation to this, he observed:

'I would say that we know what we have to do through experience and we'll do what we have to do irrespective of whether the contract requires it. However, given that Jordan is a four-year contract we wouldn't have done as much as if it was a 20-year concession. We would like to do more than what we have done. .... We probably have done quite a lot... But in terms of customer services and management skills and changing the way we do things we would have probably invested more.....In terms of truly changing the culture of the organisation to a more customer service oriented one, now we are not going as far as we would like because we only have four years ahead of it. But if we could, we would have certainly gone further than what we have done so far '.

Overseas Training and Networking

It was apparent that the company's training activities were not only focussed on the provision of 'technical skills', but also on supporting the broader process of management and cultural reform. In pursuit of these objectives, the company sent a number of staff overseas for training. For example, the deputy executive director (AGWA former administrator) was sent to the UK and France for three months for training. In France he was trained at the corporate headquarters and in the UK he worked with British managers at the parent company's UK headquarters to see the differences between British, French and Jordanian operations. Furthermore, the safety manager was sent to the UK to attend a training course for three weeks which contributed towards an international qualification and then was sent to the parent company's UK subsidiary for one week's training to see what was implemented there and what he could implement in Jordan; two staff members, who were not senior managers, went to the USA, one to attend a training course and another to attend a conference; and five senior managers attended an international conference held by the parent company at which managers from all the parent's subsidiaries met to hear about the company's policies and strategies, and to establish a network of contacts within the organisation.

The parent company was keen to provide opportunities for managers to establish networks for two main purposes. First, networking was seen to contribute to the integration of the MNC's different units worldwide. Secondly, to provide channels of communication that enhanced the diffusion of important information among the subsidiaries. Thus, the HR director in Jordan observed that:

> *'One of the things that we build here is a network. So the person who replaces me, if he doesn't know what to do, will know there are people, probably in the UK rather than France, because of the language, whom he can ask...I wouldn't say that there is any formal integration. Any integration tends to be on a personal network basis. I think what the parent company encourages more than anything is networking'.*

More generally, the international HR director at the headquarters in Paris noted that managerial training was very important for the parent company. In particular, he noted that the company always tried to provide training on cultural sensitivity and invested heavily in language training and management skills' development, particularly in the context of trying to create and reinforce the parent company's culture. For example, in 2001 the parent company's water division ran a programme called the "Global Player", where thirty young potential high fliers from at least twelve different cultures – a condition that the parent company always insisted on when running a training programme - received training for three separate weeks over a nine-month period. The aim of this programme was to create a network of 'tomorrow's executives'; to impart the parent company's culture and its way of doing things; to provide information on the international dimension of the group and associated cultural sensitivities; and to improve managerial skills.

However, although the parent company attached such great importance to training and development, in general, it adopted a decentralised approach towards training and development. As a result, subsidiaries had the main responsibility to train and develop their staff and were free to assess, design and implement required training programmes as they saw suitable. This decentralised policy reflected the local nature of the business and thus, the need to design programmes specific to each country's needs. For example, the operations director observed that:

> *'We have a mission and a general policy which states that we have to develop and train our staff...There is no precise policy on how to do it but the experiences show that we have so many contracts that each contract has to consider the local cultures and specifics'.*

This approach was evident in Water Co.'s freedom to assess, design and implement the required training programmes without any direct influence from the parent company. In relation to this, the training manager noted:

> *'The level of coordination with the training department at the parent is very low level. We should have at least four times what we have now. For example, once I have asked for some training material officially under customer care title and I received some material in French so it was no use. The other one was by chance when the parent company sent the customer director a CD including a training package one for customer care and the other for customer focus and he decided that a copy should be forwarded to the training manager. So I believe that the coordination should be more...'.*

It should be noted, however, that if subsidiaries wished to make use of training at the parent company and/or its university in Paris, they had to pay for it out of their own budgets. For example, the HR director explained the following:

> *'They have available across the group training and there are training courses at headquarters. I pay for my people to go and have training in the parent company, which has a university in Paris and I can send people there. It is purely choice and If I don't want to use them I don't. They ring me up occasionally and ask me if I want to put people in. To be honest it is very expensive and we have to be very choosy about what we use and what we don't. So it is not a policy across the Group but there is a Group training section'.*

Nevertheless, the international HR director indicated that the parent company did play an active role in the development of potential high fliers who could ultimately become expatriate managers. In relation to this the international HR director noted:

'In terms of management skills we do a lot of it but we are very selective...There isn't a clear line but you can say that each business unit is responsible for re-sourcing or developing its own local talents and creating its own new managers and some managers of that population, who could go ultimately outside their business units to other countries will then participate in training and development activities at our level at headquarters'.

Rewards

This section provides an overview of the changes introduced in respect of the pay structure. Initially the pay structure before privatisation and the changes made to it are outlined. This is followed by a description of the operational problems faced by the company during the implementation of the new arrangements.

Pay Structure

In the former AGWA, employees' basic salaries, allowances and benefits were set by civil service regulations and the average salary of an employee was around 200 JD per month. In terms of the structure of salaries, this was based on an incremental grading structure under which movements up to the grade maximum were acquired on the basis of service. Promotion was mainly based on seniority and length of service, followed by qualifications and performance. However, a promotion could only be made with permission from the central management in the Ministry of Water and Irrigation.

In an effort by the government to maintain social justice, fairness and equity among employees who would work for the new company and their counterparts in the rest of the industry, WAJ imposed conditions in the management contract which limited the salary increases of the seconded employees to 10% and specified that this increase could not be consolidated into the employees' salaries. At the same time, the seconded employees would continue to receive their annual increments and allowances from the government.

This limit on the size of salary increases created unhappiness within the company. For example, the HR director made the following the observation:

> *'What it says in the contract is a maximum of 10% increase per employee. This means that even if you want to promote a particular employee you can't because we can only give 10% and this 10% will be in the form of an allowance, it is not consolidated in his salary as he loses this 10% when he goes back to WAJ.'*

As a result of these concerns, the company proposed two revised pay schemes to the government and subsequently one of these was approved. Under this scheme, provision was made for three forms of bonus: a fixed bonus of 10% to all of the employees, which would be dependent on the company's performance and paid monthly; a quarterly variable bonus of up to 25% which depended on an individual's performance as determined by his manager; and a fixed monthly bonus for senior managers of 25%-65%.

According to the HR director, these allowances were proposed in order to motivate employees and ensure that equity existed between seconded employees' salaries, particularly senior managers, and those recruited externally from the labour market. Nevertheless, the HR director drew attention to remaining problems that existed with regard to the maintenance of appropriate relativities between existing and new recruited staff:

> *'Paying higher salaries to these people is a big difficulty and it is a major problem for us...We had to pay them more, so that the average employee we brought in is probably paid more than double the average employee in the organisation.....The Water Authority recognized that we had to pay higher salaries to attract people on what is really a fixed-term contract because after that period is finished, according to the contract...'.*

The new bonus schemes to some extent fell in line with the parent company's common principles with regard to compensation and benefits as it insists upon a remuneration policy that is results based. At the same time, according to the international HR director, the schemes adopted in Water Co did not fully implement these principles because of the restrictions placed on them. Thus, the international HR director observed the following:

> *'If we owned the company in Jordan and they were our employees we would certainly treat them differently to the way they are treated today...We don't own the company and we don't have a concession. We are not truly in control. If we were in control we would certainly change some elements of the remuneration package and would certainly put in place a policy that is more results based, where we'll be offering people incentives for achieving improved customer service, improved productivity, improved water quality, faster repair time for leaks, and faster response time to customers, rather than paying them effectively for attendance. We want to pay for results...... We have a bonus scheme which we've introduced and the evidence suggests that it had some impact and had been appreciated but we would still have gone further if we could'.*

In accepting such a scheme in Jordan, the international HR director alluded to the fact that the parent company was responding to two sensitive issues. First, the cultural differences that exist between the Arab World and other countries and the consequent need for the parent company to adopt a gradual approach to implementing its desired policies. Secondly, the parent company's wider business objectives of acquiring more business in Jordan and the region in general. Thus, the international HR director noted:

> *'We have to recognise that our ambition at the end of this four-year management contract is to have a full concession contract. Subsequently, we are not going to do everything we want to do immediately. We'll give a little prize today and we'll get a bigger prize tomorrow-we must keep the government happy'.*

Rewards: Operational Difficulties

Initially, according to the company's bonus pay plan, the average variable bonus paid to the employees would increase at the end of each year over the four years of the contract from 11.4%; to 13.3%; to 16%; and then to 20%. This was based upon the expected reduction in the number of employees and the intended improvement in the company's performance, as defined in the management contract. In accordance with this plan, employees did, on average, receive an 11.4% bonus in the first year. However, contrary to the initial plan, in the second year, due to setbacks in the company's performance the bonus was reduced to 9.8%, as noted earlier.

The decrease in the bonus rate in the second year caused concern and dissatisfaction among the employees. It also served to compound discontent with the new individual performance-related bonus scheme mainly due to the limit put on each rating, which was considered to be subjective and unfair. Thus, the personnel manger explained the following:

> *'....For example, the percentage of the bonus will be an average of 5% or 20%. This average is divided by the number of employees, such as fifty employees. In practice, it is different as in order to give someone a bonus you may deprive another from it. Thus, in order to give someone 20%, the percentage for the other employee will be reduced'.*

In response to this dissatisfaction, the company was reviewing its bonus scheme and was keen to introduce the proposed new appraisal scheme in order to engender a greater sense of fairness into the rewards arrangements. Meanwhile, it was also grappling with problems in the area of overtime pay.

In the former AGWA, overtime pay was limited to a very small number of employees and was mainly given to inspectors. It was also limited to a fixed amount of 20 JD, even if the person worked for 100 hours. As a result of this situation and the relatively low pay rate more generally, many employees had second jobs outside AGWA.

Being aware of this situation, overtime pay was seen by the new management to be a very important factor that could be used to motivate the employees and generate their full commitment to the company by giving them the opportunity to earn more money inside the company. Accordingly, Water Co calculated overtime pay as a percentage of the employee's total salary, rather than just the basic salary. In relation to this, the network operation manager stated:

> *'In the past people used to work overtime but they would not get paid. Now the person who works overtime is paid but I determine who would work overtime. The management does not mind and any person I nominate they pay him....Now if anyone works overtime I pay him but previously in WAJ I was unable to give anyone overtime pay'.*

However, in February 2001, WAJ officially informed the company that the payment of overtime should be changed and paid as a percentage of the basic salary instead of total salary. As a result, the overtime pay decreased to less than a third of what the company was paying, which led employees to refuse to work overtime. This situation was explained, as follows, by the Operations director:

> *'Overtime is a very important issue... and I think we implemented a very good procedure regarding the overtime. Unfortunately, the government has changed payment from total salary to basic salary with the result that overtime payment is very little based on the basic salary so our staff are getting 240 fils (1/4 of JD) per hour. So nobody, since a couple of months ago, is willing or motivated to work overtime so the positive changes are being reversed now. This is a very big problem now because we deeply depend on at least some overtime, particularly, with regard to water network maintenance'.*

Subsequently, the company engaged in negotiations with WAJ to reverse this decision, or reach a compromise. These negotiations led the minister to ask for a new overtime proposal to be prepared, which was under preparation at the time of the completion of the field research.

Communication and Consultation

Before privatisation, communication between top management and the employees was through the formal management hierarchy and mainly consisted of instructions from the top levels to the lower levels of the organisation. As a result, little opportunity was given to employees to express their views on any matters regarding the organisation and its operations. For example, the HR manager stated:

> *'They did not listen to anybody's opinion about the policies. Central management set them and implemented them. They did not consult with or take the employees' opinion into account in anything. In the past the employee was a receiver and did not feel that he/she was participating in anything'.*

When Water Co took over the management of the company it wanted to communicate its policies to the staff through newsletters. However, the company was unable to communicate with the staff until this was approved by the council of ministers. To some extent, this lack of communication had a negative effect on the employees who were not aware of the new management's policy and its impact on them. Thus, the HR director observed the following:

> *'We have been very bad in communication with our staff, particularly in this contract...WAJ has absolutely stopped us from communicating with the staff. That means although we have been here since March we didn't start working actually until 31 July...What we planned to do is to issue newsletters to the staff in June...It is clear to the employees that they have to work harder and we have reasonable offers to make to them financially. But WAJ wouldn't let us tell them about the changes. It has been agreed with WAJ but it has to go to the council of ministers for confirmation. The minister said we can't make any announcements about pay until it has been approved by the council of ministers. We are getting requests from about 40 people who want to go back to WAJ. This is because they don't know what is happening, they are in a vacuum.'*

Steps were subsequently taken to improve communications and employee participation through such means as the introduction of e-mail, the launch of regular newsletters, the establishment of regular morning meetings between supervisors and staff, the holding of meetings between senior managers and employees to discuss customer service problems, and the introduction of regular weekly meetings between division directors and department managers, and between department managers and section heads. For example, the health and safety manager stated:

'There are periodic meetings for health and safety and there are weekly meetings for the departments. Each department has a weekly meeting to discuss all the problems, and this is a policy now. Also there is communication between different departments. If I have relations with other departments such as operations and technical they send me the minutes of their meetings and I send them an email. The managers can gather their employees and ask them to do these tasks....Now communication has improved because there is email and it is possible to contact any manager and it is official. I can also communicate with the executive director and I can send a memo to Zai through the email'.

In a similar vein, the project manager noted:

'Now there is new communication by e-mail and now communication is better through computers. Now we can communicate horizontally and vertically. For example, I can communicate with the chief executive directly and send a copy of the e-mail to my director. Before, I couldn't do that. We were given the authority to talk and communicate directly and openly...Before, there was no communication and we did not have the authorities we have now. Now we discuss and share in decisions'.

For the new management, the establishment and encouragement of open and two-way communication at all levels in the organisation was not only important to improve communication but also to support the cultural change process. Thus, it also formed part of the new management's efforts to change the culture of the organisation and its management style from "management by fear" to "management by leadership and training", as claimed by the HR director. Moreover, the interviews conducted with department managers tended to suggest that they no longer stopped their employees from communicating with senior managers and that their employees can now discuss and speak openly and freely. For example, the project manager stated:

'Now I don't stop my employees from going to senior managers while before the employee had to go through his/her immediate supervisor. ...Now the new director will sit beside me and listen to me and he is more friendly. He gives us time and self-confidence and if he can help he will. Now this unfair transfer of employees does not exist...Before, the manager would not accept criticism. He might say that he has no time and may not really pay attention to what you want to say. But the new managers give us time, listen and give us responsibility'.

In a similar vein, the health safety manager noted:

> *'Now it is possible to say everything. The executive director attends the HR meetings because we don't have a HR director and it is possible to discuss and speak frankly about anything and he would accept any criticism and he discusses with us'.*

In general, according to the operations director, the company provided information to the employees on major issues such as changes in the bonus pay, safety issues and work quality. However, communication continued to be individually based since no formal employee representation existed in the company. This point is detailed in the following section.

Trade Unions and Employee Consultation

In the former AGWA there were no unions, no official forms of employee representation and no system of consultation with employees. This was mainly because, by law, government employees were not allowed to engage in political activity or to join political parties. This situation continued after privatisation and appeared likely to continue to do so. Thus, the HR director noted:

> *'Currently, there is no staff representation because there are no trade unions and no work councils. There is no representation at all and this is what the staff are used to... We have talked about staff representation and employee councils. Maybe because they don't even know that such things exist, there doesn't seem to be a need for it because the staff don't seem to want it, particularly nobody has asked for it.... I think if pushed we will be willing to do something along this line and have a staff council. But there are no real plans to do so.....I was advised from the beginning that the unions don't real play a big part or any part in this organisation. I believe some people are members of a union but the unions don't represent them with this company or our predecessors. So the unions don't play a part'.*

It should be noted, however, that the HR director personally expressed his desire to have staff representation because he felt that it was desirable to take the views of the staff into consideration when writing the policies. Thus, he observed that:

'On a personal view not company view, I would like to do it because I am not sure of the right policies and without some reaction I would write them in the dark. We often have got quite a big margin in terms of what we could do without causing any harm to the company. So if there are any preferences from staff, why not take them into account?'

Conclusion

This chapter on Water Co sought to detail the changes which had taken place in the area of human resources, following its privatisation, and the factors which had influenced them. These changes consisted of both major revisions to the structure and role of the human resource management function, and considerable reforms in a number of specific areas of human resource practice.

A new HR division was created and this accorded an enhanced strategic role through the appointment of an expatriate senior HR director who was a member of the executive board of the company. As regards the other changes made, these affected each of the specific areas of HR activity investigated: the people management responsibilities of line managers; recruitment and selection; staffing; training and development; performance appraisal; rewards; and communication and employee participation. In summary, these changes included, among other things, the following:

- extensive use of both short-term and long-term expatriate appointments, with a number of the former being appointed to senior management positions;
- action to devolve HR responsibilities to line managers;
- the establishment of recruitment and selection criteria which stressed the need for candidates to possess relevant qualifications and competencies, and facilitated the identification of high potentials;

- development of a new objectives-based appraisal scheme which encouraged a greater emphasis on the identification of training and development needs and was linked to an individual performance-related pay system;
- the raising of salary levels and the introduction of a variable bonus scheme based on company performance;
- a significant increase in training expenditure and activities that encompassed a much greater use of overseas, as well as locally-based, training; and
- the introduction of better systems of both upward and downward internal communication.

These reforms were essentially aimed at generating a more efficient and business oriented organisation and re-shaping the existing organisational culture. However, within these overall objectives, there were a number of specific factors that shaped both the speed and the nature of the changes introduced. These factors included the philosophy of the parent company, its management style and its general approach towards the management of human resources overseas.

The parent company management style was relatively informal in that it did not entail the utilisation of detailed written policies/instructions pertaining to the HR policies and practices to be pursued by subsidiaries. Instead, considerable local discretion was given to subsidiaries with regard to the HR policies they developed. However, this autonomy was constrained by the use of a number of formal and less formal methods of influence and control. For example, in addition to a detailed system of financial monitoring, the company specified a number of guiding principles that subsidiaries were expected to comply with in such areas as recruitment to managerial positions, performance management, training and development, career management, succession planning, and compensation and benefits.

The role of these guidelines was supported by a number of other mechanisms. These mechanisms included the extensive use, on both a long- and short-term basis, of expatriates to execute and disseminate central decisions and policies and to inculcate the MNC's culture within the subsidiary. They also included regular visits by corporate and regional staff, the holding of international seminars, and the despatch of subsidiary managers for training at headquarters, and other subsidiaries.

Nevertheless, both the parent's and the subsidiary's actions were, to a degree, being shaped by a number of situational and local influences mainly stemming from government policy and regulations, and cultural factors.

The government exerted a great influence over the management of the company because it had to approve all its policies and continuously, in cooperation with the World Bank, monitored the performance of the company. It also laid down a number of contractual conditions. These included requirements that an HR division be established, that a new employment policy be submitted that covered all aspects of human resource management, and that a comprehensive training plan be developed within the first month of the contract. In addition, the company was required to retain 50% of the existing staff.

The government also imposed a limit on the salary increases of seconded employees and retained the right to approve the recruitment and salaries of new, locally recruited, employees. More generally, seconded employees continued to be subject to the civil service laws and the company was unable to dismiss them, and instead had to return them to WAJ.

However, the return of the employees was interrupted by changes of ministers who adopted different policies and views in respect of this issue. This resulted in delays in the recruitment of new employees with desired qualifications, the recruitment of temporary staff, which initially was not permitted under the contract, and the redeployment of unwanted staff. It also, in part, led to a reduction in the level of bonus paid to the employees since the numbers of staff exceeded the planned level of staffing. Furthermore, WAJ's reduction of the overtime pay premium set by the company led to opposition from staff which affected the company's strategy to motivate them through pay. In addition, the establishment of better systems of communication with staff was initially delayed due to government restrictions.

The short-term nature of the management contract also influenced developments by encouraging a relatively rapid change process. At the same time, internal problems acted to delay the introduction of some of the desired changes. In particular, the departure of the expatriate HR director after two years contributed to a delay in the introduction of the proposed appraisal scheme and new job descriptions and delays in providing training to line managers led to a limited devolution of HR responsibilities to them.

At the same time, it appeared that these governmental conditions were the subject of ongoing negotiations between the government and the new company. The outcomes of these were, in turn, influenced by the two parties relative bargaining power.

CHAPTER SIX: CEMENT CO

Introduction

This chapter reports the second case study, which concerns a cement company taken over by Lafarge. In terms of organisation, the chapter follows broadly the same format as the previous chapter.

In the first section information is provided on the Jordanian company and the nature of its privatisation process. This is followed by an overview of the acquiring French MNC and its approach towards the management of subsidiaries. The third section then details the findings obtained from the case study by considering, in turn, the post-privatisation changes made in respect of the following issues: the structure and role of the human resource (HR) function; staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation. Finally, the key points emerging from the case study are drawn together in the concluding section.

The Privatisation

Jordan Cement Factories (JCF) was incorporated in Jordan in 1951. Since that time, its main activities, which are based at two production plants, have been the manufacturing, production and trading of cement and its by-products. Until 2001, the company had possessed a monopoly over the supply of cement within Jordan.

Historically, the Jordanian government and its institutions had owned around 58% of the company's capital. In November 1998, however, the Jordanian government sold 33% of its shares to Lafarge and made available for purchase by employees a further 2.1% of shares. Subsequently, in 1999, the French MNC increased its shareholding to 43% and then to 48% in July 2001. In addition, the government signed a two-year technical agreement with the MNC covering the transfer of know-how; the training of staff; and the sharing of experience through professional exchanges and visits.

The Acquiring Company

This section provides background information on the French MNC. Initially the origins, activities and size of the company are described. Information is then provided on the way in which the company seeks to manage human resources within its subsidiary companies.

The Company: A Brief Profile

Lafarge which was founded in France in 1833, is engaged in activities concerned with construction materials in a wide range of countries. The company's international growth began in 1914, with the opening up of North African markets. Since 1956 it has been implementing a strategy of international development through mergers and acquisitions in growth markets. After consolidating its position in the Americas, Cement Co turned its attention to Western Europe in the 1980s and then to Eastern Europe in the 1990s. Subsequently, the company moved to expand in the newly emerging markets in Asia. Thus, in 1994, the company took a foothold in China and since 1995 it has engaged in numerous further acquisitions and joint ventures in the region.

Cement Co adopts a matrix structure based on product and area divisions. In 2001, it employed around 83,000 people worldwide, of whom 89.2% were employed outside France, and operated in 75 countries through its main divisions: Cement, Aggregates and

Concrete, Roofing, and Gypsum. In the same year, the company generated annual sales of 13.7 billion euros.

In 2001, Cement Co became the world's largest producer of cement following the acquisition of a large cement company in the UK. The cement division, which represents the largest division in the company, accounting for 67% of the group's total assets, boasts 113 cement plants and 30 grinding plants in 46 countries. In 2001, the cement division generated 44% of the group's total sales and employed around 50.47% of its staff (41, 832 employees).

Currently, the Cement Division is concentrating on consolidating its positions, with the aim of becoming a market leader in terms of growth and profitability. More specifically, the company has been seeking new growth opportunities in the Middle East. The acquired Jordanian company was therefore seen as a foothold in the Middle East and a base from which to expand to other countries in the region. For example, the general manager of Jordan Cement noted: '*...In terms of strategic importance, Jordan Cement has high importance because it is the first operation in the Middle East. Therefore, it could be the basis for market access and further operations and developments in the area'*. Indeed, since the acquisition, the parent company has already spread to Morocco and Egypt in the MENA (Middle East and North Africa) region.

The importance of the Jordanian company was also reflected in the following quote made by the Chairman and the Chief Executive Officer (CEO) of the parent company during his visit to Jordan in March 2000: *'Clearly it is in our interest for Jordan to become a centre in the region, as things develop over three or four years, some countries aren't yet open to foreign investment and Jordan will have a role there [when they are opened]'*.

The Parent Company-Subsidiary Relationship

The parent company has adopted a management style known as the " Lafarge Way". Under this, the organisation seeks to encourage the personal initiative and involvement of everyone in the implementation of Group strategy in order to enable people close to where problems exist to make the greatest possible contribution to resolving them. At the same time, this management philosophy is applied within a relatively centralised business structure, due to the parent company's desire to be globally competitive.

Although cement has been traditionally a multi-domestic industry that called for local responsiveness and differentiation, globalisation and technological developments have pushed the MNC to move to operate along global lines. The following quote made by the senior vice president of HR and integration at headquarters clearly demonstrate this point:

> *'Our strategy is to give autonomy to local businesses because our sector has two characteristics. One is that it is a very local one. In addition to that, globalisation has a lot of influence in this sector'.*

This was further highlighted by the expatriate general manager of the Jordanian company, who observed that:

> *'The parent company is structured along both multi-domestic and global lines. The cement industry is mainly a local business. It is something you cannot transport, there are barriers...I consider cement to be more multi-domestic but because of the nature of the developments and evolution now it is becoming more global. ... So cement is more multi-domestic but moving towards global'.*

As a result of these developments and the desire to be a global player, the parent company attaches great importance to the issue of integration. In terms of HR, this is reflected in a fairly prescriptive approach to HRM policies and practices under which company-wide HR policies are applied in respect of a number of issues, as the following quote from the senior vice president for human resources and integration in the Cement Division at corporate headquarters in Paris illustrates:

> *'The parent company has its own policies which represent a kind of a frame and the local policies should be developed taking into consideration this general frame...There are what we call group policies which we try to use in all of the companies...The same policies for everybody in all the subsidiaries...we have a set of policies and we insist mainly on three subjects. First, performance management and how to develop people. Secondly, a kind leadership profile. Thirdly, internationalisation. The other one which is important is learning and development'.*

In a similar vein, the Middle East director for HR related issues noted:

> *'We apply the same HR policies on everything. On all HR related issues and on all other activities such as training and development, etc. There are company-wide policies which will apply as much as the local culture and the law allows us...We apply the same policies because the parent company has its own internal culture – a culture of its own and we aim to achieve integration. This means doing the same everywhere in the world. It is part of our culture. Each function should have the same methods of doing things, same understandings, and same efficiency.'*

The same interviewee went on to state that the parent company applied the same HR policies for three main reasons. First, a belief that they were internationally accepted and proven policies. Secondly, a view that the application of measurable and parallel policies helped internationalisation and expatriation. Thirdly, a view that the implementation of common policies facilitated integration.

The reasons behind this desire for integration were further highlighted by the expatriate general manager at the Jordanian company who noted that integration means *'learning to talk the same language'* and thus, becoming *'part of the club'*. Joining the club would allow the subsidiary to benefit from the resources owned by other club members and also facilitate benchmarking.

This centralised approach to policy is reinforced by a variety of mechanisms that are used to support cultural integration. At the most general level, a 'methodological guide' is used to integrate new subsidiaries. Under this, teams from different functional areas are sent to the subsidiary to identify priority actions that have to be undertaken within the first 100 days. This action programme is, in turn, accompanied by the development of a longer term, 2-3 year, programme of actions aimed at making the changes needed to fully integrate the new subsidiary. The phases and tools defined in the guide are based on a number of principles, including the importance of showing respect for the Unit's culture and of ensuring that all actions and decisions are fully transparent.

Other activities used to integrate subsidiaries and create a common culture include the development of training tools, such as 'Meet the Group' seminars which are held by the parent company for new managers (see page 197 for details) and the implementation of an Intranet portal which foster the sharing of experience and the development of working methods.

Against the background of this relatively centralised policy framework, recognition is nevertheless accorded to the need and the importance of local responsiveness. This local discretion, however, is constrained by strict financial controls and the laying down of performance targets, which are used to make comparisons between the different operating units worldwide. Such targets included financial indicators, such as operating profit per tonne produced; return on investment; overall cost; and productivity. Furthermore, in 2000, an important concept called Economic Value Added (EVA) was introduced by the parent company as a performance management indicator in order to reward performance, encourage the creation of value over the long term and support greater local autonomy. At various levels of management, EVA is calculated by subtracting the weighted average cost of capital employed from operating income after tax[1]. Thus, by explicitly comparing income with the capital used to generate it, EVA provides managers with an economic performance indicator to be taken into account when making decisions. At the same time, the system enables the evaluation of individual managerial performance, both in relation to annual targets and multi-year objectives. More specifically, the parent company sets multi-annual EVA improvement targets for each Division and Business Unit and then assesses performance against these multi-year targets.

The Nature and Process of HRM Reform in the Acquired Company

This section initially examines the changes made to the structure and role of the HRM department, including the way in which the various policy initiatives that were developed under the function's umbrella. Following this, an examination is provided of the reforms in the following areas: staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation.

The HRM Function and its Activities

Prior to privatisation, the personnel department was part of the Administration Division. This Division was headed by the Assistant General Manager (AGM) for Administration, employed 55 people and consisted of four departments namely, personnel, public relations, administration and services, and IT. More specifically, the personnel function consisted of a personnel department at the company's head office and two personnel sections – one at each plant.

The personnel function was very centralised in that all personnel related issues were effectively performed by the central personnel department at the company's head office.

However, the role of the central personnel function was mainly administrative and the personnel policies were similar to those of other government departments. In addition, personnel had no representation at board level and its participation in planning was very weak. In relation to this, the AGM for administration noted:

> *'Before privatisation, it was all centralised and we dealt with personnel from the head office. The role of HR was mainly administrative before privatisation.... Our problem was that the personnel function was run as a government department. It was just looking after the files of the employees and promotions at the end of the year'.*

Initially, after privatisation, no real changes were introduced and the existing structure and policies, such as those concerning recruitment and selection, performance appraisal, and rewards and benefits, remained in place. This situation, in part, reflected the more general gradualist approach that the MNC adopted towards the reform of its operations in Jordan, which is discussed later in the chapter. It also, however, reflected three other considerations. First, a desire to only introduce reforms after an appropriate management infrastructure had been developed. Secondly, a recognition that cultural change is a slow process and thirdly, and relatedly, a felt need to adequately prepare employees for change. For example, the Middle East director for HR related issues stated:

> *'In the HR domain, we need to implement changes...But first we must prepare the infrastructure .... With a well established company operating for almost fifty years you cannot make change over night...So it takes time in the parent company's culture to start and implement the change process because we do not want the individuals and employees to suffer as a result of the changes which are going to be conducted within the company.'*

Gradually, however, the momentum of reform started to accelerate as a result of a number of factors – an HR audit that was conducted in February 1999 by the parent company, the appointment of a Middle East director for HR related issues, and the creation of a change project known as the JCF Horizon 2001 project (for more details see pages 173 & 181). Thus, between them, these developments led to a series of recommendations for reform in the area of HRM. In particular, a range of new HR policies and procedures were proposed. These policies included the establishment of a new career management and succession planning system, the implementation of revised job descriptions and a new job evaluation scheme, and the development of improved policies relating to performance appraisal, recruitment and selection, and training and development.

These new policies were applied, as of 1 January 2001, in parallel with the implementation of a new organisational structure. Under this structure, a new HR division was created – the "HR and Administration Division" – which was led by an HR and Administration Vice President (HR & Admin/VP), who reported to the General Manager. Furthermore, HR gained greater strategic importance and became part of the company's overall strategic planning process. Thus, the HR and Admin/VP became a member of the higher management committee which was established to run the company and whose other members consisted of the General Manager and all Divisions heads. In relation to this, the HR & Admin/VP noted:

> *'Now HR has a strategic role. Now there is delegation of power and we consider this to be strategic. In the committee we discuss things like how to deal with the unions, the annual appraisal, the bonus system and any change in these is taken by the committee... Now the concentration on HR has increased and HR has become the first priority of the company. For example, now there is concentration on HR more than production or technical issues and HR has become more essential than other things'.*

Subsequently, by August 2001, the HR and administration division came to consist of four departments: compensation; career management; skills development; and administration and reporting, and employed 39 people. Although this represented a staff reduction, in the company's view it was consistent with the according of a greater strategic priority to HR because of the employment of more specialist rather than clerical staff. In addition, some of the HR function's responsibilities regarding 'non-cadre employces' were decentralised to the HR sections at the plant level. These sections kept all personnel files on non-cadre employees and dealt with HR issues relating to such matters as leave and attendance reports, promotion below managerial level, and the annual appraisal of such staff.

These reforms were introduced to facilitate the integration of Jordan Cement into the parent company's Group and were centrally driven in accordance with the parent company's approach detailed above. For example, the Middle East director for HR related issues stated that:

> *'...We are going to apply the same policies on everything. On all HR related issues and on all other activities such as training and development, etc. there are company-wide policies which we will apply in Jordan as much as the local culture and the law allows us...The policies in Jordan will be similar to all other subsidiaries'.*

This view was confirmed by the HR and Admin VP, who in discussing the current development of new human resources policies, observed that he expected *'90% to come from them'*.

However, the parent company's involvement in HR was found to be stronger in some areas than in others. This was evident by the responses given by the senior vice president of HR and integration in Paris, as well as the General Manager, the HR and Admin VP, and the AGM for finance in Jordan, to interview cards which sought information on the allocation of decision-making responsibilities in respect of a number of issues. These responses are detailed in Tables 6.1.a, 6.1.b, 6.1.c and 6.1.d in Appendix 6.1.

In addition to company-wide policies, the influence of the parent company was further supported via the establishment of direct reporting systems. Hence, local HR submitted standardised monthly reports to corporate HR covering a range of issues. This was borne out by the responses obtained from the senior vice president of HR and integration in

Paris, and the General Manager, the HR and Admin VP and AGM for finance in Jordan to interview cards that sought information on the collection of data on issues relating to the performance of the subsidiaries. Thus, the responses obtained, which are detailed in Tables 6.2.a, 6.2.b, 6.2.c and 6.2.d in Appendix 6.2 suggest, albeit with some variations between respondents, that corporate HR collected information on such issues as movements in rates of pay, managerial pay packages at high managerial levels, overall labour costs, strikes and other forms of industrial action, numbers employed, numbers of resignations, numbers recruited, labour productivity, accidents and injuries, and training received.

The interviewees also suggested that this information was collected for three main purposes: As part of the evaluation of the performance of business unit managers; as part of the evaluation of the performance of the human resource function; and to make comparisons between operating sites.

The parent company also collected HR related issues through the "HR Reviews" that were held annually. The significance and role of the HR review was highlighted and explained by the Middle East director for HR related issues, who noted that:

> '...*For every country we have separate HR review sessions once a year. HR plans are prepared by the operating units and with the HR at the Corporate Head Office it is discussed in a meeting with the regional director or the regional president... The country prepares an HR report and in this HR report you have a SWOT analysis and then you have the HR priorities, which are going to be parallel with the strategic priorities of the operating unit. And then you have training programmes and succession plans for the operating unit... and then of course if you want to bring expatriates or send people abroad these are also discussed and then all the central HR merges all these HR plans from all the countries and they make Lafarge central HR plan...*'.

Furthermore, according to the HR and Admin VP, and the training manager, annual audits of all functions, including HR, were conducted by parent company staff. It was also noted that during these audits corporate HR staff interviewed the company's managers and collected information on them. In relation to this, the training manager noted:

> *'They make audits on continuous basis and there are continuous visits...They have a list with the names of the managers. The HR people from the parent company interviewed the managers in the company many times. During the acquisition, some managers from HR from the parent company came from Paris and they interviewed all the managers starting from department managers and above and they took an idea about each one of them and they recommended some things. They also have the CVs of each of these managers'.*

In addition to the above, continuous visits to and from corporate headquarters, conferences, seminars and meetings were also used by the parent company to influence and monitor the subsidiary's policies. For example, the work carried out by the five working parties on the JCF Horizon 2001 project was supported, not to say shaped, by the extensive use of short-and longer-term visits from corporate personnel. Thus, the training manager noted:

> *'All of them come to visit us...They come from different locations – from Paris, Lyon and other locations...Even the CEO of the parent company came to visit us last year. From HR also many come to visit and there is a consultant now in the company and they are in continuous contact with their people at corporate HQ and they send them regular reports'.*

These visits were supported by regular annual meetings, seminars and conferences, which were held for all subsidiary managers from the different functional areas such as HR, finance and production. Thus, within the HR area, the Middle East director for HR related issues reported that such meetings of human resources specialists were held six times a year in different parent company locations, and that there were separate annual meetings for training, communication, career development and so on. Such meetings were held to share information and best practice, lay down guidelines and policies, and promote networking. This is best illustrated by the following quote made by the training manager regarding the purpose of these meetings:

'First, to implement new ideas, they discuss these ideas with us. For example, they want to make integration and exchange of experience between the different business units of the parent company. Secondly, if we have problems we discuss them. Thirdly, networking. A training manager in a different country might help me in solving my problems. They try to establish good relations between the training managers for synergy and networking. Fourthly, they try to ensure that we all work with the same policy...It is important for them that all subsidiaries work with one policy.

Line Managers and HRM

Before privatisation, decision-making was very centralised and everything had to be reported to the general manager and the board of directors, which consisted of five members representing the government, five members representing the private sector, and one member representing the social security corporation. After privatisation, the new management attempted to change the management style in the company by gradually devolving authority and responsibility, and introducing organisational restructuring in order to improve communication lines and efficiency.

According to the Middle East director for HR related issues, prior to its privatisation, the organisational structure of Jordan Cement had too many layers of management, as there were vice presidents, advisors, managers, assistant managers and section heads. Thus, in order to simplify the organisation and to have a leaner organisation, many positions were merged to reduce the number of layers of management and create a structure where there were only vice presidents and then the managers and the engineers.

More generally, decentralisation and delegation were seen as important changes that needed to be introduced in order to create a management style that was in line with the parent company's best practice. In relation to this, the General manager noted:

'We are restructuring the management structure of the company because our feeling is that it is not the ideal situation. The decision making process was very centralised and this leads to slow actions. The direction now in

the new management style is to be more decentralised and more business oriented. It is important also for us that the decision-making process and management style be in line with the Group's best practice.'

Consequently, greater authority was devolved to line managers. For example, the IT department manager noted:

'Now decisions have become more flexible, faster and better... Before it was difficult for the manager to take a decision, as he had to go to the plant manager. Now the decision is taken within the group and the plant manager is only informed...Now the department manager is responsible for his department and he decides...Now things are better and the managers have more authority and there is development and improvement because at the end of the day each person will be responsible for his accomplishments and performance. At the end of the day it is management by objectives'.

In a similar vein, the production department manager noted:

'...Now the plant manager respects the decision of the department manager as he will be responsible. Currently, because of the devolution of authorities and decentralisation, it is much easier than before. Now they would respect the manager's decision and his point of view'.

This process of decentralisation was supported by the creation of more performance-based accounting systems and through new budgetary controls. Thus, each department was allocated a budget and was made responsible for it and all managers were trained on how to prepare budgets. This was different from the situation previously where there was a general budget for the whole company. For example, the production department manager observed that:

'We concentrate now on the budget and the big things that affect the costs and then we look at the small things. They are giving us training on costs and budgets'.

In a similar vein, the HR and Admin VP noted:

'...Now each VP has a budget and each department manager has a budget. The VP is responsible for the budget in front of the management

> *committee and the board, and the department managers are responsible for their budgets in front of their VPs'.*

Despite the attempt to devolve authority and decision-making, in terms of HR, by August 2000, the devolution of authority to managers was still relatively restricted. This is illustrated by the following quote from one of the department managers:

> *'Until now the application in this field with regard to HR is still weak. The subject is not easy, as we have to change the system. Usually I coordinate with central HR at the head office in Jordan with regard to private things for myself and for my subordinates. We only make recommendations. They are responsible for recruitment, promotion and legal matters. They take action on everything. The relationship is that we only make recommendations'.*

However, the devolution of authority subsequently increased in 2001. Thus, according to the new company regulations and policies, which were issued on 5 February 2001, the authority to make final decisions regarding such issues as recruitment, termination of service, promotion, salary adjustment and/or grade, classification, change of job title, disciplinary issues, and the secondment of employees now belonged with the plants'/departmental managers, the HR and Admin VP, and the VP of the relevant department, with validation by the general manager in respect of managerial positions.

These developments were reflected in the responses of the HR and Admin VP to interview cards which sought information on the changes in the responsibility and authority of line managers in respect of a number of issues. The findings are outlined below in Tables 6.1 and 6.2.

Table 6.1 The degree of change in the responsibility in line managers' role

Area of change	*The degree of change in the responsibility in line managers role*
Control of absence	'Yes. More responsibility. He is responsible for everything now'.
Discipline of subordinates	'Yes. More responsibility'
Appraisal of subordinates	'Yes. With control from us'.
Communication with Subordinates	'It should be better. It depends on the manager himself. He should make communication with his subordinates. We gave them authorities and we are watching them but we have not evaluated it yet.'
Training of subordinates	'Yes. More responsibility and more control from the training department'.
Recruitment	'He has more roles but he can't recruit'.
Planning manpower requirements	'Yes. Now he has more roles. He has to put it in a full format and has to put his budget and planning his manpower for the second year in full. Nothing like this was before'.
Pay attention to the budget	'Yes...Now each department manager has a budget. Department managers are now responsible for their budgets in front of their VPs'.
Control of costs	'Yes of course. Now they have to control costs'.

As can be seen from Table 6.1, the responsibilities of line managers had increased in all of the areas listed, namely, the control of absence, the disciplining of subordinates, communication with subordinates, the training of subordinates, planning manpower requirements, and paying attention to budgets and costs. These increases in responsibility were, as Table 6.2 shows, accompanied by an increase in the authority given to line managers to make final decisions in relation to a number of these issues.

Table 6.2 Supervisors' authority to make final decisions

HR/Personnel issues	*Authority to make final decisions*
Taking on people to work for them	'No. He cannot. But he has the right to refuse or accept. We ask him and consult with him and he says I want the employee or not. This consultation is new'.
Deciding on pay rises for people work for them	'He recommends to his VP and his VP talks to me and we agree on the pay rise and apply it'.
Dismissing workers for Unsatisfactory Performance	'No he cannot. But he should follow the regulations. He can give him up to 3 warning then he can be dismissed and in the annual appraisal if the employee gets for two years weak then he can be dismissed'.
Attendance / Absence	'Yes'.
Disciplinary issues	'He makes recommendations to the HR department but he cannot take the final decision'.
Other HR/Personnel issues	'He can specify the bonus of his subordinates based on the annual appraisal. He can recommend promotions, he can recommend dismissals, he can transfer the work place of his subordinates internally within his department without referring to anybody. He has financial authority within his budget'.

This picture provided by the HR and Admin VP was borne out by the responses given by department managers to the same issues covered in Tables 6.1 and 6.2. In particular, in common with the HR and Admin VP, the line managers identified eight areas where their responsibilities and authority had, in general, increased. These were:

- Communication with subordinates
- The training of subordinates
- Planning manpower requirements

- The use of performance appraisal to determine the level of bonus pay and the objectives of subordinates
- Pay rises and the promotion of subordinates
- The dismissal and disciplining of subordinates
- Paying attention to the budget and control of costs
- Recruitment and selection

According to the interviewees, this increased responsibility with respect to recruitment and selection was an element that reduced 'Wasta' – appointments by connections – and made the managers directly accountable for their decisions. In relation to this, the production department management noted:

> *'I interview the person and select him and tell them I want this person... Now I have more roles because I am responsible now. ...The responsibility has now increased. For example, if I want to appoint operators they say to the department manager it is your responsibility you have to appoint them. So, if later some problems take place, they will say you have chosen them. This now reduces the WASTA and connections. Now this is what has changed. So I choose the person and it is my responsibility because I selected him and they have agreed accordingly'.*

It should further be noted that, whether or not line managers had the authority to make final decisions, in general, line managers reported that they now shared and took part in all these decisions and that these decisions were being made collectively, contrary to the situation previously where decisions were made centrally. For example, the marketing department manager noted:

> *'Now the manager shares in all decisions...previously many decisions were taken centrally without the knowledge of the manager but now he shares and has an opinion and his voice is heard'.*

Staffing Levels and Composition

In considering the changes made to staffing levels and composition, the developments that took place in relation to existing managerial and non-managerial staff, and the recruitment and selection of new staff are considered, in turn, below.

Management Staff

Before privatisation, Cement Co had four divisions, each headed by an Assistant General Manager (AGM), dealing with technical, financial, administrative, and planning issues respectively. Overall, there were four levels of management: the general manager, assistant general managers, department managers, and section heads respectively.

After privatisation, a new board of directors was formed that consisted of four members representing the MNC and seven Jordanian members representing the government, the Jordanian private sector and the social security corporation. However, local managers continued to manage the company. As a result, the MNC's influence was restricted to having an input into the formulation of general policies through its board level representation. Partly because of this situation and partly because of the MNC's desire to learn more about the laws of the country, as well as the strengths and weaknesses of Cement Co, little initially changed with regard to how the company was structured and operated. For example, the general manager noted:

> *'The MNC is a minority shareholder, so in this position we cannot take any decision without discussing it and getting the consent of the shareholders and other board members. And it takes time to convince people, especially with regard to human resources, as it is usually a sensitive matter'.*

This relatively gradualist approach reflected the political situation in the country. Cement Co was the first company to be privatised with the involvement of a foreign company and the transaction only occurred after several years of delay due to pressures on the government from interested parties such as politicians, employees and the public - pressures which stemmed from fears about passing control to an overseas investor, potential loss of national wealth and the possibility of higher prices and job losses. For example, there was internal opposition from within Cement Co itself, as exemplified by a letter sent by the board of directors to the Minister of Industry and Commerce in which they rejected the idea of a foreign strategic partner and demanded that the company be sold to employees, and Jordanians and other Arab investors.

However, by the end of 1999 the change process had been stepped up following the appointment, as part of the technical agreement, of two expatriates as Assistant General Managers (AGM) for production and manufacturing, and for information and budget control respectively. For example, following the former's appointment, a three year technical plan, spanning the years 1999-2001, was put in place which involved the creation of working parties charged with reducing costs and improving technical standards.

The scale of change further increased as a result of two further expatriate appointments: the appointment, in June 2000, of a new general manager from the parent company who was also a board member; and the secondment for a two-year period, in July 2000, of the Middle East director for HR related issues. In particular, shortly after the general manager's appointment the JCF Horizon project was established, in co-ordination with the parent company, with the main aims of raising customer service levels, improving competitiveness through cost reduction, and enhancing managerial performance.

Interestingly, however, neither the general manager nor the HR regional director appointments was provided for in the technical agreement. In fact, the advent of the expatriate general manager came after the appointment of the former local general manager, in May 2000, as the Minister of Planning. Following this appointment, the MNC engaged in new negotiations with the government and insisted on the appointment of the expatriate general manager, as the following quote from the Middle East director for HR related issues illustrates:

> *'It was the board's decision to appoint a GM from the parent company and it was pushed by the parent company...It was very political. Usually, in developing countries such positions are used as springboards and when they are used as springboards, external objectives are more prominent than internal objectives. So I think the reason why the MNC wanted to have a parent company assigned GM is to improve and have a company working like an internationally competitive company.'*

As mentioned earlier, these permanent or long-term appointments were accompanied by extensive visits of corporate staff from the parent company. Thus, teams of experts and specialists made short-and long-term visits to all the functions in the company to work on reforms, or to solve problems and to conduct training. Thus, the changes introduced were shaped by the parent company expatriates. This view was confirmed by the HR and Admin VP who noted that one of the reasons for the changes introduced in the company was the transfer of know-how in management from the parent company to Cement Co and that this transfer of know-how was through the parent company's expatriates who visited or took assignments in the company in Jordan.

By August 2001, three more expatriates had been appointed on permanent or long term-employment and were paid expatriate salaries, namely, the maintenance development manager, the project manager, and another expatriate who was employed in the marketing department for training purposes.

Non-Managerial Staff

When Cement Co was privatised at the end of 1998, there were around 2, 578 employees. This workforce was subject to the social security scheme and comprised permanent staff, employees on temporary contracts of year or more, and daily workers. Subsequently, a freeze was placed on new appointments as a result of the new owner's belief that the company was significantly overstaffed. At the same time, however, little action was taken to reduce the size of the workforce. As a result, by the end of 2000 staff numbers had fallen by less than 100 – to 2,489. This limited action stemmed from a desire by the company to proceed gradually and in a way, which did not generate bad publicity and involve the breaching of undertakings that had been given to the government concerning the avoidance of job losses: a desire that reflected the political sensitivity of the company's privatisation. For example, the AGM for finance, in commenting on developments with regard to staffing, observed that:

> *'They promised the government not to touch any of the employees and they have kept their word. In the negotiations the government told them not to lay off the employees, continue with training, abide with the country's laws and regulations, and preserve the environment.'*

However, this also, in part, reflected the parent company's approach of not laying off employees and compensating them generously if they were to be laid off, as well as its more general approach of implementing changes slowly, as the following quote by the regional HR director demonstrates:

> *'During the take over, the parent company has guaranteed that there is not going to be extensive lay offs so it is one of the reasons. On the other hand, it is not the MNC's policy to lay off people. The parent company is not an American company. We are not wild capitalists and we say that the employees are at the heart of the organisation. So it takes time in the MNC's culture to start and implement the change process...'.*

The new management also introduced a policy of employing only on permanent basis and terminating contract employment and daily workers. In doing so, it respected and honoured an agreement that had been made earlier, in the preparation for privatisation, between the previous local management and the trade union. In relation to this, the plant manager explained:

> *'This was an agreement between the union and the company two or three years ago...This was a governmental company and the general managers were concerned about reducing unemployment in the country...the union interfered to make the daily workers permanent and it became one of their rights...The company took this burden and responsibility and respected this agreement and made them permanent.'*

In January 2001, a voluntary early retirement scheme was implemented in the company, after lengthy negotiations with the trade union that lasted eleven months. Subsequently, by 15 July 2001, 546 people had left the company through the early retirement scheme and another 750 people were expected to leave by the end of 2001. Thus, it was expected that by the end of 2001 a total of 1,100 employees would have left the company.

It seems that most of the retired people came from the areas that were subcontracted by Jordan Cement after privatisation. For example, the union's president noted:

> *'They restructured many sectors like the security and transport and gave them to other companies and they transferred the employees to early retirement. Thus, the company's services sector went to other private companies. Similarly, we had doctors and clinics in the company but they rented the clinics to other companies and transferred the employees to early retirement because they wanted to reduce the numbers.'*

Recruitment and Selection

Before privatisation, vacancies were filled from the local external market by the personnel department through advertising in the national newspapers and reviewing previous application forms. The main recruitment criteria used were educational qualifications and experience.

The recruitment and selection process was very centralised and was done through two personnel committees. The first committee, from the financial department, conducted tests and interviews with the candidates and then made recommendations to the second personnel committee through the personnel department. The second personnel committee consisted a chair nominated by the general manager, the assistant general manager for administration and HR, the personnel manager, the planning and research manager, and the two factory managers. This personnel committee selected the candidates and made recommendations to the general manager for approval. However, according to the AGM for administration and HR, these committees were only a formality and recruitment and selection was based, in large part, on favouritism and connections.

After privatisation, initially no changes were introduced to the existing policy. However, in 2001, a new system of recruitment and selection was established. As a result, the personnel committees were abolished, and objective oriented and simpler recruitment and selection procedures were put in place. For example, the Middle East director for HR related issues noted:

> *'What we should try to do here is to simplify the processes and work in a target oriented and objective oriented environment for any function which we have'.*

Subsequently, under the new system, recruitment and selection was decentralised to a committee comprising of the relevant department manager, other specialists in the department and a representative from HR, usually the career manager. This committee interviewed and selected the candidates, although their decisions were then validated by both the HR VP and the relevant department's VP. However, in the case of managerial position, both the HR VP and the relevant department's VP were involved in the interviewing and selection process and their decision had to be validated by the general manager. In commenting on the new recruitment and selection policy and procedures, the HR and Admin. VP noted:

> *'Now there is a new policy and we are following it.... First, we evaluate the needs of the jobs in comparison with the organisational structure. Then we advertise it in the newspapers and after that we screen the applications in the HR department. Then we form a shared committee between us and the requiring department and then for the final selection of the people I sit with the relevant department VP and then we make the final selection of the candidates'.*

According to the HR and Admin. VP, the main policy change was that only employees with the required qualifications were employed. This picture was clearly illustrated by the following comment made by the HR and Admin. VP:

> *'The main policy change is that "wasta" is finished. The selection of people is fair and we don't appoint if we do not need the employees....Now the criteria of recruitment is specifically decided...Thus, now for each job there are requirements which are specified by the VP. For example, the budgetary control VP might specify that he wants someone with 10 years of experience in finance, has banking experience, very good communication skills...Now this is the change. Before, if we needed an employee we used to see who has brought wasta with a degree in accounting. If someone's connection is stronger, we'll employ him and at the end the employee will fail and we both sink in the company.*

Linked to this, was the introduction of new recruitment criteria. The new criteria were the recruitment of young, qualified, and well educated people with the potential to progress in the company. Thus, applicants with less than a bachelors degree were rarely considered. In relation to this, the acting personnel manager noted:

> *'In the past applicants with different qualifications were considered and given a chance starting from high school or college graduated people to PhD holders. Now if a person has less than a bachelors degree then he would not be considered. Now 90% of the recruits have at least a bachelors degree, except for one person who was appointed recently because he showed very high potential. Now the main criteria are*

educational qualification, experience and age, as they prefer young people'.

In a similar vein, the career manager observed that:

> *'Now we are interested in hiring good people and only good people and high potentials. High potentials is another policy. Managing high potentials, especially young high potentials, is one of the main HR policies of the parent company. So they identify certain young high potentials who have the potential to move up the ladder much faster than others. They provide them with the necessary training, exposure and skills to prepare them for the envisaged positions...It is a company policy and it is the parent company policy...the policy is going to be an integral part of the whole system because many of the leading company's managers are young people, so we believe in young people'.*

Consequently, the recruitment policy in Jordan Cement can be seen to have fallen in line with the parent company's strategy of internationalisation and growth. This is best described by the following quote made by the Middle East director for HR related issues

> *'We would like to employ the best, youngest high fliers in the company so that we will be able to fight with these resources within the international environment.....Our recruitment policy is going to be localising high flier Jordanians to recruit for senior posts in the company and we want to train them in other locations, it can be the USA or France or Turkey, wherever is relevant and then we make them merge their knowledge with our company's culture and come back and implement here. But we want to target high-flier, well educated Jordanian individuals and we want to breed them for the high positions in the company'.*

In addition to the above, the tendency was to prioritise internal recruitment and to prepare existing staff for filling vacancies. However, in 2001, some of the vacant positions were filled externally due to the lack of qualified staff to fill some of the positions. In relation to this, the career manager observed that:

> *'The policy which we are going to have is that the priority will be for internal recruitment,... and then hire from outside. Perhaps for the time being we don't really have enough high potentials for internal recruitment, this is why we are going to newspaper advertisements.'*

It should be further noted, that the company initially employed a local recruitment agency to find the required people. However, according to the HR and Admin VP, the services of the external recruitment agency might be terminated. It appeared that this was influenced by the trade union, as there was opposition from the union to the recruitment agency and the fact that many of the new recruits were not Jordanians and not from the provinces with high unemployment.

Performance Appraisal

Before privatisation, performance appraisal did not include any targets or objectives and was conducted annually by the employee's immediate line manager and was validated by the relevant department manager.

Two different appraisal systems were used. One was used to evaluate managerial positions from section heads and upwards and included such items as work knowledge, planning, problem solving, communication skills, creativity and innovation, team work, attendance, ability to evaluate subordinates, cost controls, and the application of safety procedures. The other form was used for lower positions and included such items as work knowledge, organisation of work, accuracy, teamwork, attendance, application of safety procedures, and implementation of rules and regulations.

Under these system, each performance criterion was marked out of 10 and the levels of performance were rated according to the total marks obtained as follows: excellent: 90% and above; very good: 80%-89%; good: 70%-79%; acceptable: 60%-69%; and weak: up to 59%. These ratings were then linked to an annual pay increase of between JD 3.5 to JD 5.5 for employees who received a rating of good and above, while the employees who were rated acceptable or weak did not receive an increase. However, appraisal was considered a formality and most of the employees were rated excellent. For example, the HR and Admin. VP noted: *'the appraisal was general and there was no weight for each evaluation or criteria of appraisal and each item was out of 10...and everyone was rated excellent'.*

By August 2000, no change had taken place with regards to the above. However, in 2001 a new performance appraisal scheme was introduced in the company based on management by objectives and the assessment of employees according to the achievement of these objectives. At the same time, performance appraisal was integrated and linked with career development, succession planning, training, and pay. In relation to this, the career manager noted:

> *'Performance appraisal is basically management by objectives as we are moving towards a policy and a concept of management by objectives. So each department and each one in this company has to have his/her objectives for the whole year at the beginning of each year...The career plan, the pay structure, and performance appraisal are all integrated and linked together. For example, the annual appraisal will greatly serve us in planning the career plan for our employees. One very important thing which is going to be implemented is succession planning, especially for key positions. We cannot go any more in chaos if someone in a key position leaves.*

Management by objectives was considered to be a major change in the company. However, in 2001, appraisal by objectives had been introduced only for department managers and above due to the difficulty in setting objectives for all the employees. In relation to this, the career manager noted:

> *'The main change introduced in performance appraisal was the introduction of management by objectives and the assessment of employees based on the achievement of these objectives. ...For this year, the VPs and plant managers and department managers are going to be assessed using the new appraisal system. The rest of the people are going to be assessed using a more stereotype kind of evaluation form but we have included some other things that are included in the performance appraisal. The reason for that is that we couldn't really ask everyone in the company to have their objectives for this year. We are piloting this system and we don't want any failures – we cannot afford any failures. So we wanted to start implementing it with the elite of the company, with*

those who are involved in forming the future of the company. But later on we are going to move downwards with the section heads and all other employees. But we wanted to start this year with middle and upper management'.

Under the new appraisal scheme, the levels of performance were to be rated as excellent, very good, good, acceptable and weak according to the marks obtained. These ratings were to be linked to rewards and a limit was also introduced on the proportions of employees who could obtain these ratings. These ratings and limits are summarised in Table 6.3 below.

Table 6. 3 Appraisal Ratings and Limits

Rating	Mark in each category as a percentage (%)	Percentage of employees in each category (Limit)
Excellent	90% and above	5% of employees
Very good	80% - 89%	10%
Good	69% - 79%	50%
Acceptable	48% - 68%	30%
Weak	47% and below	5%

In relation to the above, the HR and Admin VP noted:

'We have a Bell curve so that there will be a limit in each category...because before all the company was excellent. This year we are implementing this change and hopefully we shall succeed with the department managers and their evaluation and appraisal will be closer to the reality and they will be responsible and accountable for it...We also linked the appraisal with the bonus'.

According to this system, which was to be applied by the end of 2001, the average mark to be obtained in the company would be between 72% to 75% - Good. However, the union was opposed to this and threatened to take industrial action if the average grade was not increased to 86% - very good. Thus, after negotiations, the management made concessions and an agreement was reached that the average mark would be 84%. In relation to this, the career manager noted:

'The main obstacle is the union. The annual appraisal is linked to the annual increase, the old grading system, and the bonus. Thus, the unions argued that this affected the employees' income and demanded an increase in the average mark from 75% to 86%. At the end, the company had to make concessions and we reached an agreement to have an average mark of 84%'.

Promotion was also linked to performance rather than length of service, as was previously the case. Thus, decisions to promote an employee were based on the employee's performance and achievement of objectives. These decisions were devolved to HR and the VP of the relevant department. In relation to this, the acting personnel manager noted:

'Previously, promotions were based on the length of service. Now the change is that promotion is made according to the recommendations of the employee's line manager and the approval of the relevant VP. The employee is promoted or given an incentive of his/her salary in modified based on his/her performance and not the years of service.

Training and Development

In terms of developments in the area of training and development attention is initially paid to the changes made with regard to the training infrastructure and budgets and the training delivered to employees in general. Following this, more specific attention is paid to managerial overseas training and networking.

Subsidiary Level Training

Before privatisation there was a separate training department headed by a training manager who reported to the technical division. This department prepared an annual training plan, based on the training needs identified by the employees and departmental managers, and was responsible for the company's two training centres. The training given mainly focussed on technical skills and qualifications and was for the most part provided through the two training centres, on-the-job training, equipment suppliers and local educational and training institutions. In contrast, relatively little attention was paid to managerial training and employees were rarely sent abroad to undergo training.

According to the training manager, during this period *'the training had many weak points'*. His view was based on the following four factors. First, the management did not take training seriously since it was widely believed that there was no benefit from it. Secondly, there was no implementation and evaluation of the training received. Thirdly, the identification of training needs was inaccurate and was not realistic because it was not linked to the work of the employee. Fourthly, training, particularly overseas training, was used to please or reward an employee, whether it was related to his/her job or not. For example, the Middle East director for HR related issued noted:

> *'...Training was not used properly for training purposes. It was used as a way of rewarding people, as a way of providing something to let off steam and I don't think that the training selected for individuals was parallel to their careers and the expectations of the company for them'.*

After privatisation, training and development activities were substantially increased to improve the skills of the employees and to change their culture and mindsets. This increased focus on training encompassed two elements. First, a dramatic increase in locally-based technical and managerial training. Secondly, the extensive use of overseas training and development activities.

This expansion in training was reflected in the training budget. Thus, this budget increased from JD 166,874 in 1998 to JD 423,942 JD in 1999, and then went down, in 2000, to JD 245,426 before increasing again to around JD 400,000 in 2001. In 2001, further steps were taken to implement the desired changes in training and development.

First, a new corporate wide training and development policy was implemented which sought to ensure that subsidiaries adopted a more organised and systematic approach that accorded with central business objectives and philosophies, and linked training with succession planning and career development. In relation to this, the HR regional director observed that:

> *'Training should be in line with succession planning and career management policies...... What we are trying to do here is also going to be in line with the overall internationally accepted standards. It will be to improve the skills of the individual and to change the culture and the mindset of the people so that they can perform their duties in a more efficient way....The major policy change is that the training selected for the individuals will be parallel to their careers and the expectations of the company...'*

Secondly, a new training manager was appointed internally to head the training department and two training committees were established. The first was the 'Training Steering Committee' (T.S.C.), which consisted of the General Manager, the VPs and the training manager, was established to approve the general training policy, the training budget, the training plan, and the training management system. The second committee, the 'Technical Committee', consisted of the training manager, plant managers, plant-training managers and specialists from different fields, such as processes, safety, finance, computing and administration. The objectives of this committee were to implement the training policy, continually improve the training management systems, support the delivery of internal training, modernise training with new procedures and techniques, and discuss training plans, reports and evaluations. In relation to this, the HR and Admin VP noted:

> *'For the new training policy, every three months they will meet and will revise the training policy and the training priorities and what they have achieved and the budget.... These committees are the working groups which are working in the company'.*

Thirdly, a greater emphasis was placed on internal training in the training centres in the company in Jordan, particularly for shop-floor employees. The company's target was to have 75% of training courses delivered inside the company within two years. This was to reduce costs and to deliver training that was more specific and better fulfilled the needs and objectives of the employees. In relation to this, the training manager reported:

> *'In the past, there was a little bit of on-job-training, some internal courses on the computers ond safety. But as of now, the concentration will be on internal training'.*

Fourthly, a new main training centre was established in the company's old head office building and four full-time experienced trainers were appointed. In addition, 30-40 current employees were also appointed as part-time trainers and were given incentives to deliver training in their areas of speciality to other company employees.

Fifthly, the training department became responsible for both internal and external training, contrary to the situation before privatisation where the plants were responsible for internal training while the training department was responsible for external training, with the result, according to the training manager, that: *'the authorities and responsibilities were divided and this created problems as each one of them was working separately and this made the objectives unclear and there was no integration'.*

Finally, financial incentives were introduced to successful trainees based on their performance after the training. Thus, as the training manager explained:

> *'... We can say that so and so went on such training course and then came back and implemented and improved productivity or not and thus we recommend that this person takes JD 20 increase on his basic salary.... Always the person above the department manager makes the evaluation so that the training gains the necessary importance and seriousness'.*

In addition, at the time of the interview, the training department was preparing a training package for each of the 250 jobs in the company. The purpose of this procedure was to make training more systematic and to facilitate the training planning. At the same time, each employee would be aware of the training that he/she should receive.

Overseas Training and Networking

According to the senior vice president of HR and integration at headquarters, the parent company considered managerial training and development to be the responsibility of both the parent company and the subsidiary. Thus, the parent company took a more active and direct role in the training and development activities of the cadre people of professionals, engineers and managers. This active role was reflected in the existence of training programmes designed by the parent company and the associated requirement that subsidiary managers and engineers attend these training courses. For example, the IT department manager in interview in 2000 reported:

> *'Now we have a lot of training courses coming directly from the parent company, which we have not included or accounted for in our training plan. For example, sometimes I receive instructions for a training course directly from the parent company for a specific purpose and thus we have to go to Paris for five days for training...I went on a short financial course (EVA course) for two days in Paris. But a lot of my colleagues went on training courses in their fields'.*

This central role played by the parent company was clearly illustrated by the introduction, in 2001, of two new programmes of coaching at Jordan Cement, namely, Cement Professionals (CP) and Cement Master (CM), for new engineers and new plant managers, based on instructions from the parent company. In addition to the above, the parent company had organised specially tailored managerial training courses at INSEAD and Duke universities.

More generally, overseas training and development activities increased tremendously after privatisation[2]. A large number of company employees and technical staff visited the parent company plants to observe and to get acquainted with the latest techniques in the areas of finance, administration and production. In addition, all senior and middle management attended training courses, as well as seminars, meetings and conferences, at corporate headquarters and other parent company locations. In relation to this, the training manager noted:

> *'...Continuously there are conferences, seminars, meetings and training courses. Sometimes there are meetings for one day.... There are also annual conferences so the meetings are continuous and extensive.... And our people continuously go overseas at least each one of them goes once or twice a year.... Mutual visits are continuous'.*

In the training manager's view, there would be even more concentration on managerial training and he noted that since 2000, almost 50% of the training had been conducted overseas and that 60%-70% of this training was for managers. This point was further explained by the Middle East director for HR related issues who pointed out that:

> *'The focus of training is going to be for managers, engineers and the cadre people. Shop floor people are going to be internally trained. Thus, the budget will cover mainly managerial training and the external training will be mainly for managerial positions'.*

The strategic significance of managerial training was also highlighted by the training manager, who noted that the parent company concentrated on managerial training because *'they have the ability to implement and execute the strategies and policies'*. The reasons for overseas training were further explained by the Middle East director for HR related issues, who noted that for the parent company overseas training served four main purposes: to widen the managers' experience; to provide an opportunity to form networks; to inculcate the company's corporate culture, and, more specifically, to internationalise Jordan Cement (JC). Thus, the Middle East director for human resources related issues went on to observe:

'Overseas training is looked upon not only as an improvement of the individual, but also a factor that will create a common culture and improve the standards of doing business and improving the efficiency of the company.... We are sending people abroad especially for technical training. But managerial training is going to come at a later date because that's the change process and you change the culture by managerial training... In order to internationalise the JC we should concentrate on external training where they will have exposure and form networks'.

In a similar vein, the newly appointed career manager within Cement Co's personnel department observed, in relation to a human resources integration seminar he had attended, that its main objective was to *'not only bring people together to establish contacts with each other'*, but also to provide new human resource staff *'with the basics of [the parent company's] way of doing human resources'*.

Such formal training was, in turn, supported by the provision of a range of other 'networking' opportunities. For example, the AGM for finance, and the AGM for HR and Administration made reference to regular meetings held internationally for both finance and human resources staff. Similarly, the training manager noted:

'They gather them. For example, the finance function has a course and annual meetings, the same with career development and also HR and so on...Training managers have meetings twice a year in different locations... All department managers are gathered together...One of the objectives of these meetings is to establish networking. For example, a training manager in a different country might help me in solving my problems. So they try establish good relations between the training managers for synergy and networking'.

These attempts to engender networking were supported by the parent company's policy of transferring managers among subsidiaries and HQ to learn the company's way of doing things, to increase their experience, and to build an internationally qualified cadre of staff. The transfer policy applied to senior managers across the whole group, including Jordan. For example, the parent company appointed one of Jordan's Cement's (JC) engineers to manage its subsidiary in Egypt and made a further seven appointments from Jordan to the same subsidiary, while some other of JC's employees were placed at the parent company's International Technical Centre (CTI) in Lyon. Thus, by 2001, a total of 12 Jordanians had been sent to other locations of the parent company and another eight had been seconded to a company in Saudi Arabia, although this was not part of the MNC's Group.

Rewards

Prior to privatisation, pay was determined according to the qualifications and experience of the individual and was made up of a number of elements: basic salary, various allowances, including inflation-linked payments and an additional production bonus, and annual performance-based increases of between 3.5 and 4.75 JD, which was considered to be automatic as almost everybody received it. In addition, all of the company's 2,600 employees enjoyed several occupational privileges, such as family health insurance, housing loans, a savings fund, and transportation.

The basic salary element had not been increased for many years. However, shortly after privatisation, with effect from 1 January 1999, it was agreed to raise the basic salary by the relatively small amount of JD 2.5 per month, and JD 8.00 for every employee employed before 31 December 1998. In addition, the existing production bonus was doubled and 4% of the company's annual profits were distributed equally to all the company's employees as a bonus. Hence, in 1999 each employee received a 200 JD bonus for the company's performance – a total of JD 500,000 – and another JD 250,000 were distributed equally in 2000. These payments were made in response to forceful union claims, which were made against the background of an increase in union influence stemming from the delicate political nature of the privatisation and the desire of both the government and the company to avoid any bad publicity during the early days of privatisation.

The union obtained further gains during the appointment of the expatriate general manager. Thus, the basic salaries of the employees were further increased by JD15 per month as of 1 December 2000. The union also obtained an increase of 5% in the company's contribution to the saving fund from 10% to 15%. In relation to this, the HR and Admin VP observed:

> *'Basic salaries were also increased by JD 15 for everybody as of 1 December 2000. They took it after privatisation, at the peak of privatisation and especially during the change of management to external management when the new general manager replaced the old general manager – they took JD 15. They also took 5% increase on the saving fund'.*

At the same time, during this period, the new management was more flexible with respect to paying higher salaries that matched the private sector pay in order to attract staff with the required qualifications. In relation to this, the HR and Admin VP noted:

> *'...Before we were giving according to the company's salary scale which are not good and now we can give the employee the salary outside this scale so that we can take better employees. For example, previously according to the pay scale, for one year's experience I gave him 1.5 JD or 2 JD. Now I evaluate where the employee was and what salary he used to get and what his job was and I give him more to work in the company if I have chosen him for a specific position in the company'.*

During this period, the pay and incentives package were also being revised by the company. Under the proposed new pay system, all the fixed allowances would in future be included in the salary of the employee and the salary and grading structure would be based on a job evaluation scheme used by all the MNC's subsidiaries worldwide. According to the HR and Admin VP, the intention was to implement this new job evaluation system by the beginning of 2002 and it would be applied first to middle management and above (grade 13 and above) because their new job descriptions were completed.

As regards the salaries the employees would receive under this new pay structure, this was to be directed by the market considerations. The median salary for each grade was to be informed by a salary survey of the Jordanian market, which would be carried out with the participation of the leading companies in the country, including Telecom Co. According to the career manager, the salaries would be around 20% more than the market median for each job. In relation to this, the career manager noted:

> *'It is the parent company's policy to use this system for evaluating the jobs.. They have a policy for the pay structure. For example, this is the median for the market – so the parent company would place its salary scale usually at +20% of the median'.*

The Cadre Bonus

More specifically, under the new bonus scheme a certain maximum percentage of bonus pay was to be set for each level/position in the company. This was to be divided into two equal portions, so that 50% of it was based on the company's performance and the other 50% on the personal performance of the employee (see Table 6.4 below).

Table 6.4 Structure of Bonus Scheme

Position	% of annual income as bonus pay	Company Performance (8% x Co Perf.)	Personal Performance (8% x PA mark)	Location
VPs & Top Managers	16%	8%	8%	
Plant manager	14%	7%	7%	Plant 1
Plant manager	12%	6%	6%	Plant 2
Dept. Manager	10%	5%	5%	Plant 1
Dept. Manager	8%	4%	4%	Plant 2
Section Head	6%	3%	3%	Plant 1
Section Head	4%	2%	2%	Plant 2

Thus, for example, a VP was to get up to 16% of his annual income (salary) as a bonus: 8% from the company's performance and the other 8% from his/her personal performance. This second element was, in turn, to be linked to his/her performance appraisal result.

Thus, if his appraisal result were 90%, then he would receive 90% of the 8% for personal performance. This is best illustrated by the following quote made by the career manager:

> *'...For example, for a VP position he can get up to 16% of his annual income as a bonus.... 50% of that comes from the company's performance and 50% comes from the personal performance. This translates to up to 8% which comes from the company's performance.... and a maximum of 8% of their annual income which comes from their personal performance...If as a result of the performance appraisal interview...he gets 80% depending on how well he achieved his objectives, then 80% of the 8% annual income will come from the personal performance...If the company's performance was 50% then he receives 50% of the 8% of his annual income for the company's performance'.*

Non-Cadre Bonus

In 2001, the new bonus arrangements were only applied to the cadre people, contrary to what the company had planned. Thus, the company decided to implement a different way to pay the bonus to the non-cadre employees. Thus, rather than linking all the bonus pay to performance, the company decided to link only half of the bonus to performance due to the union's opposition and the political sensitivity of the issue. Accordingly, a decision was made to distribute 50% of the 4% annual profit (2% of net profit) equally among the 1,800 non-cadre employees while the other 50% (or 2% of net profit) was to be distributed according to their personal performance. The following quote made by the HR and Admin VP clearly demonstrates this point:

> *'We have two forms of bonus...The non-cadre people have their own bonus. They will have 4% of the company's profits which is distributed within a formula.... 50% they will get equally because the trade union insisted on this and because we are in the first year of change and this is also a change in the culture so we agreed. Next year hopefully it will be 100% linked to appraisal and within the formula which we made'... Now we are saying that this does not help justice and we tried to change it this year. Thus, from section head and below 4% will be linked to the annual appraisal within a formula'.*

Communication and Consultation

Prior to privatisation, there was a basic and minimal monthly company bulletin and a complaints box, which could be used by staff to raise issues of concern to the second personnel committee in the management chain. The most common means of communication, however, was through morning meetings between departmental managers and section heads, and meetings between departmental and plant managers.

Existing communication channels were considered to be very weak and for the most to be mainly used to issue orders and instructions. More generally, according to the HR and Admin VP, these weaknesses were compounded by the fact that managers did not care about the employees' problems and views. As a result, the employees resorted to the union to get the information they needed, and this was considered to be a big problem in the company because it opened room for gossip and rumours. In relation to this, the HR and Admin VP noted:

> *'Previously, there was no communication. The management and factory managers were in a valley and the workers in another valley and the beneficiaries were in another valley. The beneficiaries are the people who transfer the news and the information.... Unfortunately, lower levels did not communicate their views because their managers were always absent from the picture – not involved and did not care about their views and problems and therefore, any information they needed from us they resorted to the trade union and took it from them and this is the big problem'.*

Immediately after privatisation, steps were taken to improve communications and team working, change the attitude of the management, and encourage the employees to communicate their views. Thus, lectures were given in the company to encourage the employees to communicate their ideas directly, without going through the management hierarchy and to stress that they were considered valuable assets. In addition, a new bulletin, called Horizon 2001, was produced monthly with information about the company's objectives and the changes that were taking place in the company and how employees could improve their performance. At the same time, management received training and guidelines from the parent company on how to have open communication lines with the employees. For example, the AGM for finance indicated that the attitude of management had changed due to the parent company's influence and noted that:

> *'Things have changed and are not the same as before where the higher levels gave orders to the lower levels. Now I may receive an idea from one of the section heads and I shall adopt it. Before I would have told him off and would have told him not to give me this kind of information. Now the information could come from top to bottom, horizontally, and from bottom to top. Now there is more interaction. Now the small employee has the courage to speak and give information because many lectures were given telling the employees that every one is valuable and each one should give his/her opinion, each one should be creative ... '.*

Further steps were taken to improve communications through the clearer definition of responsibilities and the amalgamation and integration of departments with similar functions which, subsequently, led to less bureaucracy and a reduction in hierarchical lines. For example, according to the production department manager, there were now four managers responsible for all the departments in the plant instead of 17, and as a result, 'communication had become easier'. In a similar vein, one department manager noted:

> *'The good things now are better communication with the employees. The team-work and cooperation has improved and the way of working has become better and less bureaucratic, less hierarchic....'*

This point was further reinforced by the following quote made by the plant manager:

> *'In the past, each one was an emperor in his department and they did not communicate to each other. They sent memos and letters which were not read. When a problem happened each one tried to get out of it – the responsibilities were not clear. Now this is something of the past. Now each one learns about what changes are happening and participate in the decisions taken at the plant level with the VP even if it is not his specialised area. The communication now is not through writing memos to protect the person... Now no one is independent in his work or his department because all departments are working together and the work*

> *now is complementary – each one complements the other. The work is integrated and the managers now feel that without other departments they can't reach their objectives which are part of the company's objectives...'.*

In 2001, further changes took place which reflected the importance the parent company attached to communication. Thus, a new communication division was created and was headed by the corporate VP for external and internal communication. According to the communication VP, guidelines were issued by the parent company, which basically emphasised *'open communication channels between top management and each and everyone in the company'*. For example, the plant manager reported that he was asked to hold meetings with the employees:

> *'Meetings with employees had been required from me – I was asked to do that. I don't know how I shall do it may be every month or every two months to gather the largest number of employees so that we can communicate the information and the policies and the changes taking place to the lower levels...It is required from the managers to communicate the policies and the changes'.*

Trade Unions and Consultation

Unlike the other two companies, Cement Co had a well-established and powerful union. The company's employees were members of the General Trade Union of Construction Workers. This union had over 100,000 members, and was a member of the wider General Union of Workers Syndicate that was established in 1953 and consisted of 17 unions/syndicates.

A key objective of the new management was to involve the trade union in the changes being made. Hence, representatives from the trade union were involved in the various change working parties, previously mentioned. This involvement of the trade union reflected the parent company's participative culture. For example, the Middle East director for HR related issues noted: *'the parent company's culture is very humanistic and* *works with the individuals. It is a consensus seeking culture rather than a confrontation culture.... and that employees are at the heart of the organisation'.* He went on to explain:

> *'You cannot force change. Change must come indigenously. I mean people should be willing, people should be participating in change otherwise, for example, you can make the perfect organisation on the table but you cannot implement it because the unions are going to resist it and because the individuals are going to resist. So you must have ownership and participation to change and I think what Cement Co is trying to do is to create participation to change.... You cannot change the culture overnight. You need to convince the people that what you are bringing them is going to serve them better...'.*

The HR and Admin VP reported that consultation was done through the trade union's representatives in the company and he stated: *'now anything we want to make in the company, I consult with the union's representatives in the company'.* He further noted that the company consulted with the union on issues such as health arrangements, major changes in work methods and working hours, and changes regarding subcontracting and health insurance. Thus, the union's president observed that:

> *'Frankly they consult with us but this is done unwillingly because if they want to do something and we are against it, then we can make it fail. They consult with us because it is for their benefit so they consult with us and refer everything to us. They saw that in anything they tried they failed because the union was not part of it'.*

The trade unions, as noted earlier, gained power during the privatisation process due to the delicate political situation in the country and its power continued to grow after privatisation. For example, the HR and Admin VP noted:

> *'The trade union became stronger after privatisation.... Their power increased during the privatisation process and they have become even stronger now.... Their leaders are still here and they can destroy many things in 24 hours'.*

The union's power grew during and after the privatisation process not only at the company level but also at the national level, since the Cement Syndicate's president was also the president of the General Trade Union for Construction and Workers and all of the General Union's 17 unions had collaborated and joined forces to deal with the government's privatisation programme. Thus, the union's president noted:

> *'The cement's power stems from the power of the General Union so when we came together and all the union's branches collaborated all the branches became more powerful as we announced in the General Union that we shall support each other in everything.... The union's power evolved and stemmed from working collectively and not individually and this started in 1998'.*

This growth in power was reflected in the fact that the union took several actions which threatened the stability of the company and the country, and, at the same time, gained the support of the public and the press. For example, according to the union's president, during the period when the company was considering a restructuring based on the Jordanian Labour Law No. 31 article 33, which gave the firm's owner the right to terminate the services of the employees without compensating them, the union *'declared war on the company'* and announced strikes and sits which were widely supported within the Jordanian society, and by national figures and political parties. At the same time, for the government this was a very sensitive situation since many of the company's employees came from high unemployment and low income regions and the company was considered to serve the national interest by employing these people. The following quote by the union's president demonstrates this point:

> *'The union announced strikes and sit ins and the management was stopped from crossing the line.... We are able to stop the factories and production easily because the employees have no other source of income and thus, we were all prepared to defend our jobs strongly and they can't do this to us – not now and not in ten year's time'.*

The union's growing influence was also enhanced by the establishment of international networks and undertaking some important positions/tasks in international unions, as was the case with the Union of Arab Workers. For example, the union became a member of several international unions, and participated in several international meetings and conferences. Thus, this was seen as a source of pressure that could be used to harm the company's reputation internationally. For example, the union's president noted: '*...We have international relations and we can reveal all the wrong practices of the company internationally*'.

As a result of the growing influence of the union, it succeeded in obtaining several gains. These gains, some of which were mentioned earlier, can be summarised as follows:

- The government donated, on average, 450 shares per employee at a reduced price of JD 1.5 per share.
- The company increased its contribution to the employees saving fund from 10% to 15%.
- The employees and their families were included in the post-retirement medical insurance within a new system, the application of which started in the first quarter of the year 2000.
- The distribution of 4% of the company's annual profits to all company's staff. This was introduced in 1999 and 2000.
- A pay increase of JD 15 on the basic salaries for all the employees in the company as of 1 December 2000, in addition to the JD 10 increase in 1998/1999. Thus, between the period 1998 – 2001 the union managed to get a total of around JD 5 million in pay increases for the employees.
- The union changed some of the terms of the early retirement scheme and gained more favourable terms and incentives for the employees.

- The allocation of the amounts of JD 16,000, JD 32,000, JD 48,000, and JD 64,000 for the first, second, third and fourth years respectively to cover the expenses of scholarships and studentships to the employees selected to study at the Jordanian University to acquire qualifications. Competitions were held for the candidates and the criteria set by the union depended on the income and the length of service. Thus, lower income employees and those with longer service had to get the scholarships and the funding, and
- The making of contract and daily workers permanent staff.

The increase in the union's influence is reflected in the following observation made by the HR and Admin VP:

> *'Trade unions now play a greater role. For example, in the early retirement they had a very big impact and have changed some of the terms. They have become stronger than before privatisation...The problem was the early retirement incentives.... We introduced the early retirement system which was humble but the union achieved many gains through it.... The negotiations took eleven months before we signed an agreement with the union. We were careful to have a balance between the company's benefit and the employees' benefits'.*

At the time of the interview in August 2001, the trade union had also managed to change the management's decision regarding working hours. The management wanted to change the working hours from 7.30 a.m. – 4.00 p.m. to 7.30 – 4.30 p.m. with half hour break and a free lunch meal to the employees. However, the union rejected this and after negotiations with the management the decision was reversed and the working hours stayed as they were. In relation to this, the union's president noted:

> *'Yesterday we had a problem with the general management about the working hours of the employees. The working hours were until 4.30 so they were working more than eight hours and the management was going to give them a free lunch meal. So as a union we managed, by negotiating with the management, to reverse this decision and make the working hours until 4.00 p.m. These negotiations were between me and the general*

manager and the HR VP....We reversed the decision and made it according to the labour law of eight working hours per day'.

On the other hand, the growing conflicting relationship was problematic. For example, the HR and Admin VP noted:

'The union is a partner which is imposed or enforced. It is not a desired partner it is enforced before and now. The direction is to continue with the trade union and to determine the future relationship - whether to consider the trade union as a partner or to weaken the union's strength ...The picture is still not clear and there is informal talk about it.... Any capital and business owner aims to get rid of the unions...In France the unions have power and are respected by force'.

Conclusion

The Cement Co case study described in this chapter demonstrated that a wide variety of changes had been made in the human resources area. These changes encompassed both significant revisions to the structure and role of the human resource management function, and substantial reforms to a number of specific areas of human resource practice.

A new, and better staffed, HR division was created and this accorded a more strategic place and role, notably through linking it directly to the operating committee of the company. As regards the other changes made, these affected, as in Water Co, each of the specific areas of HR activity investigated, and entailed, among other things, the following:

- the appointment of expatriate managers to key managerial positions, along with the extensive use of short-term expatriate appointments;
- the devolution and the planned further devolution, of HR responsibilities to line managers;
- the development of new job descriptions and the associated establishment of recruitment and selection criteria which stressed the need for candidates to possess

relevant and laid down qualifications and competencies, and in relation to candidates for managerial positions, that they were young, well educated and had high potential;

- the introduction of a policy of employing only on a permanent basis and the consequent terminating of the use of contract employment and daily workers;
- the introduction of a revised appraisal scheme which placed a greater emphasis, both in theory and practice, on the identification of training and development needs, the identification of 'high potential' staff and the achievement of specified objectives;
- the linking of this appraisal scheme to the provision of individual performance-related pay;
- the taking of other action to increase salary levels and to encourage, via the introduction of a variable bonus scheme, enhanced company performance;
- a significant increase in training expenditure and activities that encompassed a much greater use of overseas, as well as locally-based, training, and which was supported by the adoption of a much more systematic approach to individual staff development; and
- the introduction of more extensive systems of both upward and downward internal communication.

As in Water Co, these reforms were basically aimed at creating a more efficient and business oriented organisation and re-shaping the existing organisational culture. They also, in terms of their nature and manner of introduction, reflected the influence of a number of factors.

The parent's management style was relatively formalised in that it involved the utilisation of detailed written policies/instructions concerning the HR policies and practices to be pursued by subsidiaries. The subsidiary's autonomy was further constrained by the use of a number of less formal methods of influence and control. For example, in addition to a detailed system of financial monitoring, direct reporting relationships and regular HR audits and reviews, a number of other channels of influence were utilised. These channels included the intensive use of expatriates on a long- and short-term basis to implement the required changes and inculcate the parent company's corporate culture; the holding of regular meetings between corporate and subsidiary managers to discuss developments within particular divisions; and the delivery of a wide range of international seminars, conferences and training programmes, all of which sought not only to develop local staffs' skills but to also socialise them into the parent company's 'way of doing things'.

The parent company's approach to the management of human resources in its subsidiaries influenced both the direction and nature of reforms introduced in Cement Co. This was clearly evident in two aspects of the change process. First, its gradual nature, which echoed the parent's belief that reform within subsidiaries, would typically take place over a period of two to three years. Secondly, the emphasis placed within it on the utilisation of a participative approach to change, which was central to the parent company's corporate culture.

Notwithstanding the parent company's apparent and direct influence over the reform process and decisions undertaken, a number of local factors acted to mediate this influence, namely government policy, public opinion, trade union activity, and wider cultural considerations.

The government exerted an influence in two ways. First, the government continued to have influence over the running of the company through its golden share and the shares held by other governmental institutions, which granted them a number of positions on the board of directors. Secondly, during the privatisation process the government signed a technical agreement with the MNC and laid down a number of conditions in respect of the provision of training and development, the transfer of technical and managerial know-how from the parent company to the subsidiary, the appointment of long-term expatriate staff and the use of exchange visits, the avoidance of large-scale redundancies, and the protection of the environment.

As regards the role of public opinion and the trade union, it was found that the union had become more powerful both during and after the privatisation process. This rise in union power had stemmed from the government's and the MNC's desire, in the face of political opposition to the privatisation of public assets, to avoid taking action that would endanger public opinion and instigate media backlashes and hence damage their image and reputation.

The nature and speed with which the reforms were introduced were not only influenced by the above factors but also by other internal factors related to the company itself. These included the readiness stage of Cement Co itself in terms of the availability of necessary infrastructures and systems. For example, the delay in preparing the new job descriptions led to difficulty in setting objectives for lower positions in the organisation with the result that initially appraisal by objective could only be applied to senior managerial positions.

The introduction of the desired reforms was also the subject of ongoing negotiations between the company and two relevant stakeholders – the union and the government. For example, allowances were not consolidated in the salaries because of objections from local board members. Similarly, the early retirement scheme was delayed due to prolonged negotiations with the union, and the company also agreed, after negotiations with the union, to link only 50% of the bonus for the non-cadre to performance in the first year of the implementation of the new policy. In addition, the inability to introduce different working hours reflected the prevailing cultural barrier whereby employees went home to their families for lunch.

Similarly, that the introduction of the new changes was also influenced by the company's ability to negotiate and use its bargaining power in relation to the Jordanian government. For example, initially, it was agreed with the government to appoint a local general manager to head the company. However, when this general manager was appointed as a government minister, the company threatened to withdraw unless an expatriate general manager was appointed to replace the previous local one. As a result, and after negotiations with the government, an expatriate general manager was appointed by the parent company, which was followed by a noticeable increase in the speed of the reforms.

Notes

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[1] EVA = Operating profit after tax – the cost of capital

[2] As mentioned earlier, in relation to this issue, there was a technical agreement between the MNC and the government in which the government required training to be provided. On balance, however, it seems that this training would have been carried out regardless of the technical agreement.

CHAPTER SEVEN: TELECOM CO

Introduction

This chapter reports the third case study, which concerns a telecommunications company taken over by France Telecom (FT). In terms of organisation, the chapter, again, follows broadly the same format as the previous chapters.

In the first section information is provided on the Jordanian company and the nature of its privatisation process. This is followed by an overview of the acquiring French MNC and its approach towards the management of subsidiaries. The third section then details the findings obtained from the case study by considering, in turn, the post-privatisation changes made in respect of the following issues: the structure and role of the human resource (HR) function; staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consulation. Finally, the key points emerging from the case study are drawn together in the concluding section.

The Privatisation

The Telecommunications Corporation (TCC) was a state department, headed by the Minister of Telecommunications, which had a monopoly in the Telecommunications industry until the end of 1996. In 1995, the government implemented a telecommunication's restructuring programme and, as part of this, introduced a new telecommunications law (Law No. 13), which led to the establishment of a regulatory body to monitor the industry and provided for the corporatisation of the TCC, as a first step towards its privatisation and the creation of competition in the sector. Subsequently, on 1 January 1997, the TCC was registered as a public limited company, under the name of Jordan Telecommunications Company (JTC), that was wholly owned by the government and worked on commercial basis. However, JTC retained the exclusivity of the fixed lines services until the end of 2003.

In 1997/98 the government adopted a strategy to sell 26% of Telecom Co.'s shares to a strategic investor. However, the privatisation of the company was delayed for almost three years during which time the government changed its sale's strategy in two ways. First, the government increased the percentage of shares to be sold to 40%, when it found that the originally proposed 26% ownership was insufficient to attract foreign investors. Secondly, the government decided to sell to a consortium that consisted of a foreign partner, as well as a local partner, due to parliamentary opposition to total foreign control.

Eventually, on 23 January 2000, the government sold 49% of Telecom Co as follows: 40% to a consortium led by a France Telecom as the technical/strategic partner (35.2% to the French MNC and 4.8% to a local partner); 8% to the Social Security Corporation; and 1% to the Savings Fund of the company's employees. In addition, the strategic partner was awarded a five-year renewable fee-based management contract to manage the company, as a means of securing the transfer of the parent company's know-how.

The Acquiring Company

This section provides background information on the French MNC. It does so by initially describing the origins, activities and size of the parent company, and then by exploring the way in which it seeks to manage human resources within its subsidiary companies.

The Company: A Brief Profile

France Telecom (FT) is a multinational company which is the principal provider of telecommunications services in France and the world's fourth largest telecom operator. FT dates its origins back to 1878 with the creation of the Ministry of Posts and Telegraphs in France. However, due to the growing recognition of the importance of the telecommunications sector to the French economy, FT was founded in 1988 as a non-governmental stand-alone organisation and became a public independent operator on 1 January 1991. This change was, in turn, followed by the commencement of the privatisation of FT, which started with the transformation of FT into a corporation on 31 December 1996, and then, in 1997, by completing an initial public offering which was followed by the listing of the company's shares on the New York and Paris stock exchanges. Meanwhile, the French State continued to have a monopoly over the telecommunications sector until 1998, when full competition was introduced into the market. In 1999, the French State owned around 63% of the company's capital and although this decreased to 54% in 2001, it remains the major shareholder of the company.

The newly formed company has activities in over 75 countries and offers global services from phones to multimedia. It provides individual consumers, businesses and telecommunication carriers with a wide range of telecommunication services, including local, long distance and international telephony, mobile telecommunications, Internet and multimedia, cable television, broadcast and other value added services. Thus, the main activities of the company can be listed as: wireless communications, fixed-line telephony, Internet access, and cable networks.

In 2000, the company employed 188,866 employees, of whom 148,846 were based in France, and achieved a turnover of 33.7 billion euros, of which 8.7 billion euros were generated from business outside of France. This represented an increase of 149.7% in revenues from outside of France over the previous year. Accordingly, in 2000, international business accounted for 25.8% of consolidated revenues. This share of international business is, moreover, expected to climb to about 55% in 2003.

The above figures reflect the accelerated international growth strategy that the company has pursued since 1997 through acquisitions, strategic alliances, joint ventures, new licenses to operate fixed and mobile services, and investments through, either minority or controlling interests, in existing or start-up companies that it believes have substantial growth potential. Thus, in 2000, FT became number two in Europe and number three worldwide in the wireless market and became number two in the Internet segment in Europe.

In support of its international growth strategy, the company has sought to take advantage of the opportunities created by the privatisation and deregulation of the telecommunications market worldwide. In particular, the company sees vast growth opportunities in the Middle East and its activities in Jordan are therefore seen as a vital stage in the development of its foothold in the region, which has already spread to Egypt and Lebanon.

The Parent Company-Subsidiary Relationship

The parent company adopts a flexible approach towards the way in which HRM is managed in its overseas subsidiaries. For example, the vice director of the HR Group at corporate headquarter in Paris noted:

'You must understand that the first level must be local. HR will be local and if they need advice then they will go up to HQ but the initiative will be taken locally. They'll ask what do you think? Do you have experience somewhere else in the world?'

This decentralised approach represented a change from the previous command and control one that the parent company had used and which it now felt had been unsuccessful because of the failure of the subsidiaries to apply central rules. However, this current approach, at the time of the interview in June 2001, was also under review and there was an ongoing debate on whether there should be more central guidance and direction. For example, the vice director of the HR Group at corporate headquarter in Paris noted:

'We are building a kind of common approach of processes. Formerly we had rules and we were applying the same rules from top to bottom. What happened is that it did not apply at all in the subsidiaries. We are in a very reactive market, so the idea is to make a simpler process for the Group and say how are we going to impose on the subsidiaries a minimum? What is the minimum that we are going to ask of the subsidiaries? We are trying to work this out'.

The parent company did not therefore, at the time of the research, try to apply its French policies in its subsidiaries, particularly because it recognised that an acquired company had its own organisation, policies and culture, and that the laws and culture of each country had to be respected. In short, the parent company considered that the HR policies had to be adapted to the needs of the subsidiary. On the other hand, the parent company did try to influence the subsidiary's management style and insist that it respect labour rights. The following quote by the senior vice president of human resources and communications at headquarters in Paris illustrates this picture most clearly:

'...We do not try to apply French policies ...We influence the subsidiaries in the way they manage people more than any other type of influence. From our point of view, when we enter a company and become a new shareholder, and often we enter in a company with its own organisation, with its own policies and with its own culture, it is very important before we organise or do something to first better understand what the company is and what it is possible to do.... We consider that the HR policies have to

be adapted to the company.... The most important thing is that we consider the rights of labour, the rights of the workers have to be respected and that is the first thing that we make clear right at the beginning and say it to our people in the subsidiary. We think it is very important to respect the law and respect the workers'.

Nevertheless, the parent company did strongly recommend that certain common principles be applied by its subsidiaries worldwide. These common principles related to the areas of recruitment and selection; job descriptions; training and development; systems of evaluations connected to compensation; career management; succession planning; employee benefits, such as health insurance and retirement systems; and employee relations. At the same time, it was pointed out that the parent company interfered more directly in the management of high potential people who would be developed to become expatriates and assume international careers.

The common principles pursued by the parent company seemed, therefore, to be driven by values and a culture which reflected a belief that human resources were a valuable resource and had to be treated with respect. In relation to this, the senior vice president of HR and communications noted:

'... We are an international Group and it is multicultural..... but we think that because we belong to the FT Group, some basic and common items will be in the culture. For example, the respect of the people, a customer oriented company, a company in which people are happy to come to ....People are very important to the company...because if people are not happy in your company in the next few years you will decrease your market share and the climate in the company and you will have problems and strikes. For us it is very important that people enrich themselves.. and work happily. We think that it is very important that all the people in the company want to reach the same objectives.'

Against this philosophical background, it appeared that the MNC adopted a gradual approach to change when it took over subsidiaries. Thus, before it introduced any changes to HR policies, the MNC first analysed the structure of HR in the company and then recommended the changes needed and provided expertise to help implement those changes. For example, the senior vice president of HR and communications further noted:

> *'We introduce changes gradually and sometimes it takes more than one year, between 18 months and two and a half years, may be three....We prefer to follow the evolution of the company in a way to become a business company, a customer oriented company and to organise the company to be customer oriented and when we decide this type of evolution this has an impact on the HR policies and then we introduce a style of management. We recommend to have job descriptions for the range of different types of jobs in the company and so on and we introduce new benefits for the workers but we don't take our French policy as a model. We consider that the HR policies have to be adapted to the company. But our expatriate managers have experience and a way to manage and spirit, and we have a way to manage the people, so we introduce this style but we take the time to introduce our new style'.*

The Nature and Process of HRM Reform in the Acquired Company

This section initially examines the changes made to the structure and role of the HRM department, including the way in which the various policy initiatives that were developed under the function's umbrella. Following this, an examination is provided of the reforms in the following areas: staffing levels and composition; recruitment and selection; performance appraisal; training and development; rewards; and communication and consultation.

The HRM Function and its Activities

Before 1997, when Telecom Co was a State Department, its personnel policies were mostly those applicable to Government Departments, which were Civil Service regulations. These were written instructions, which were mainly concerned with the issues of recruitment and selection, training and development, performance appraisal, and rewards and benefits. Decision-making was very centralised and the personnel function mainly performed administrative tasks.

In 1995/96 and in preparation for privatisation, a new organisational structure was introduced and the HRM function was placed within the corporate services division and represented by a deputy director general, who reported to the Director General. However, HR had no direct representation on the board of directors. Later, the corporate services division came to consist of seven departments, including the HR function, which itself was split into two departments, namely, manpower and training, with a manager heading each department and reporting to the corporate services deputy Director General. The Manpower Department dealt with recruitment; appraisal; salary administration; manpower and succession planning; promotions and transfers; disciplinary matters; the administration of employment terms and conditions; liaison with operational units; and the maintenance of the employee database. The training department was responsible for the design, delivery and evaluation of technical, management and computer training for all the employees.

To support the change process in the pre-privatisation transition period, new policies and systems were designed with the aid of an external British consultancy. These included a new salary structure, revised recruitment and selection and performance appraisal systems, a new career development programme, and the introduction of revised jobs description. However, by 1997, not all the new policies, such as the performance appraisal system and revised salary structure, had been implemented.

The central objective of these human resource changes was to increase efficiency by reducing the number of employees employed per 1,000 fixed lines. For example, in 1996 there were 13 employees for every 1,000 lines and in 1999 this figure decreased to 9 employees for every 1,000 lines and it was planned to reduce this number further to 8 and eventually to 6.5 employees for every 1,000 lines by the years 2000 and 2005 respectively.

These efficiency objectives therefore formed the core of the HR function's role. Nevertheless, despite the changes that had taken place, the HR function continued to mainly operate as an administrative. Thus, the former adviser to the Director General and a member of the board of directors observed that: '*...There is no HR department in the modern sense...It is running employee affairs, it is still the same, it hasn't changed*'.

In 2000, after privatisation, the HRM function was strengthened and became part of the company's overall strategic planning process. An HR division replaced the corporate services division and was headed by a Human Resources Officer, who was a member of the executive operating committee and reported directly to the chief executive officer (CEO). In commenting on this increased strategic role, the human resources officer noted the following:

> *'Now we are involved in all the business strategy, even in the technical business. Because in the technical sector we need competencies and these will be provided by HR. We are an anchor in the operating committee and strategic decision- making. Before, they would say you are HR and you don't understand technical issues'.*

Under the new structure, the HR division consisted of eight departments: manpower, training, training centre, administration, payroll, legal, building and property, and transport and maintenance. Each department was headed by a manager who reported to the human resources officer. By August 2001, the number of staff employed in the HR division had increased from 375 to 403.

The changes introduced had strong implications for human resources management. Thus, the Human Resources Officer said: '*we are trying to update HR to be compatible with the private sector and modern HR. In particular, we seek the development and mobilisation of HR. Now the customer is our manager. We have to develop the company and prepare* *ourselves for competition.'* More specifically, a range of new HR policies were introduced and others were under development at the time of the interviews.

These policies were initially prepared by the subsidiary's HR function and then presented to the operating committee. The policies were then discussed and modified by the operating committee and subsequently referred to the board of directors for approval. Consequently, the HR chief officer considered that subsidiary managers had full authority in deciding the subsidiary's HR policies and in adopting the policies that most suited the company's culture. Thus, in commenting on the extent of the parent company's influence on the subsidiary's HR policies, the HR chief officer commented:

> *'We have full authority in deciding our HR policies...The HR policies were prepared by us, by the HR sector in the company.... They transfer ideas but it is up to the subsidiary to adapt these ideas to the culture of the company. They cannot force and they are not forcing. They have ideas and they are applying them. For example, as a result of our visits to France and their visits here we take these ideas if they suit us and we customise them. ...Sometimes we need help so they support us. Sometimes they need explanations, so we explain to them. Instructions are not there.'*

In a similar vein, the sales and marketing chief officer noted:

> *'I think the parent company is still quite centralised. However, outside of France, the parent company is managing its subsidiaries with a lot of flexibility'.*

The scale of this local discretion was found, more generally, to reflect the broader issue of how the corporation approached the control of its subsidiaries, namely by financial systems under which the MNC was primarily concerned to establish budgetary parameters within which HR decisions are taken. Consequently, subsidiary managers were largely free to run the subsidiary's daily operations in the way they saw appropriate, providing that they were in line with the budget. For example, in commenting on the degree of freedom given to subsidiary managers, the sales and marketing chief officer explained the following:

> *'In Jordan, for instance, we are doing our reporting but... as soon as we are on line with the budget we don't have any problems and we don't have to give any justification and we don't lose any time in meetings.... They want to follow, in comparison with the budget and with the business plan, what is going on in each country. The base for us is always to work with a budget and once the budget is approved, what we discuss and what is in our reporting is basically the difference with the budget'.*

The importance of the financial accounting and reporting systems was reflected in the appointment to the subsidiary of the financial controller from HQ in France to establish the financial and reporting systems that accorded with the parent company's principles. In addition, this financial controller monitored the company's budget and sent standardised monthly reports to headquarters in France. These standardised monthly reports, which were used by all subsidiaries, included income statements, balance sheet and financial performance indicators, as well as measures of labour productivity. This information was then consolidated into the parent company's accounts and monitored by corporate headquarters. It must be noted, however, that the appointment of the financial controller corresponded with the parent company's policy of sending its own staff when a local finance director had been recruited. In relation to this, the senior vice president of human resources and communications noted:

> *'We control from a financial point of view and it is very important but it is not only financial control that we use....Finance is very important. But for example, in Brazil, El-Salvador and Argentina we have local financial directors but we have one financial expatriate to show them how to use standardised financial reporting and so on...It is more to make a transfer of know-how rather than control'.*

Care must, nevertheless, be taken not to exaggerate the degree of autonomy given in the area of HR because there were a number of sources of influence that acted to place constraints around how subsidiaries exercised their discretion. As a result, it was questionable whether the Jordanian company had as much freedom in deciding HR policies as was suggested by the HR chief officer. For example, the HR policies had been developed against the backcloth of the common principles, detailed earlier, about how human resources should be managed, as shall be seen further in the following sections which discuss other areas of HR change in Telecom Co. This issue was explained by the senior vice president of human resources and communications as follows:

> *'Subsidiary managers are very autonomous in deciding the HR policies. But we are connected with the company through our management and through the board of directors in Jordan. We have information about that, so if the shareholders or the members of the board consider that it is not good for the company in terms of development and in terms of respect for our principles they don't accept. So we have the power to modify it but at the beginning they are very autonomous'.*

In addition, the HR policies had also been developed against the background of organisational rules that acted to limit the ability of the subsidiary to take unilateral decisions in respect of certain matters. This was borne out by the responses given by the senior vice president of HR and communications and the vice director of the HR group at corporate headquarters in Paris, as well as the HR and finance directors at Telecom Co, to interview cards which sought information on the distribution of decision-making responsibility in respect of a number of issues. These responses are detailed in Tables 7.1.a, 7.1.b, 7.1.c and 7.1.d in Appendix 7.1.

This influence from central head office was further borne out by the following quote from the senior vice president of HR and communications:

> *At the beginning, the strategy is studied and proposed locally and after we have meetings with the CEOs and chief officers and with people from HR. For example, in July we organised a meeting of all chief officers from all of our subsidiaries and you find operation, finance and HR and we spoke about the development strategy of the company and then we acted. For strategy and main decisions the CEOs refer to HQ but we have meetings with and seminars for all managers from all domains...You can say that strategy is proposed locally and then approved by HQ. But sometimes we*

> *recommend strongly because we know the market better, we know the technology evolution. For certain issues we decide. For example, for IT or choice of equipment'.*

The reporting system that was established in the subsidiary also potentially, at least, acted as a form of constraint on the subsidiary. Thus, while there was no direct relationship between corporate HR and the subsidiary, the HR chief officer submitted monthly reports to the CEO and, at the same time, sent copies of these monthly reports to corporate HR. Thus, the senior vice president of HR and communications further observed that:

> *'I receive the reports from the HR chief officer in Jordan... but he doesn't report to me because I have no direct relationship with him because I am not his chief officer. But he sends me monthly reports to inform me so that I have information...They report to the CEOs locally and they report to me only to inform me and to ask me for advice and it is easier to give advice when you know the company. But they report to the CEO'.*

In broad terms, the responses obtained from the senior vice president of HR and communications in Paris, the HR and Finance chief officers in Jordan to interview cards that sought information on the collection of data relating to the performance of the subsidiaries, (See Tables 7.2.a, 7.2.b and 7.2.c in Appendix 7.2) bore this picture out. Thus, corporate HR collected information on such issues as managerial pay packages, overall labour costs, overtime working, strikes and other forms of industrial action, numbers employed, numbers of resignations and numbers recruited, absenteeism, dismissals and disciplinary cases, labour productivity, accidents and injuries, occupational health, training received, and the gender and age composition of the workforce.

The significance of these reporting lines and approval lines was illustrated by the fact that when the company did develop its HR policies and passed them up to corporate headquarters in September 2001, the parent company informed the subsidiary that the policies should not be implemented until they had been checked for bottom-up support. In relation to this, the manpower planning and recruitment section head noted:

> *'What we sent to headquarters in France was half way through. They said keep them aside for now and bring the policies and the change from the bottom...Ask the employees what changes they wish to be made to make them more satisfied. They said take the employees' opinions and feedback from the field and then turn them into policies, rules and regulations'.*

In addition to the above, an ongoing process of visits to and from corporate headquarters, as well as conferences and meetings, acted as other channels that the parent company used to influence and monitor the subsidiary's policies. For example, the operations director, who was based in Paris and responsible for the subsidiary, visited the subsidiary every month. In relation to this, the senior vice president of HR and communications noted:

> *'We control not only from here at HQ...We have regular travel to the subsidiaries...because each subsidiary is connected to a director of operations based in Paris and we have members of the board of directors...So we control and get information very frequently'.*

Furthermore, regular meetings were held between each director from the subsidiary and his/her counterpart at corporate headquarters. For example, the senior vice president of HR and communications visited the subsidiary in Jordan twice a year and similarly, the HR chief officer from Jordan visited corporate HR twice a year. He also attended the annual HR meeting held by corporate HR for all the subsidiaries worldwide. The purpose of these meetings was to gather information from business units; to share policy initiatives between subsidiaries; and to provide information on corporate policy. Furthermore, they were also used for benchmarking and collaborative work on specific issues such as high potentials career management, and human resource exchanges between the subsidiaries.

Continuous dialogue was also maintained between the subsidiary and the parent company through informal methods of communication, telephone calls and e-mails. Thus, for example, several calls during a week could be made between the HR chief officer and HQ. In addition to these meetings, experts and consultants and other corporate staff from the parent company visited the subsidiaries. These were seen by the subsidiaries as a form of control as well. For example, the administration manager noted:

> *'The French also come here to provide consultation and to see how things are in the company, so indirectly partly this is control but it is not obvious'.*

Line Managers and HRM

According to Hakooz (1997), who worked in JTC for twelve years as a senior officer in the HR department, the company had a role culture that was based on structure, order, stability and control. Thus, JTC had a formal hierarchy of authority and an authoritative management style in which it was considered a sin to bypass one's supervisors and seniors were looked to for advice. People were rewarded for obedience and compliance with rules and they were punished for disobedience and those who participated in risk taking activities were penalised rather than rewarded. All HR related issues, as mentioned earlier, were dealt with by the civil service office and the personnel department.

During the transition to privatisation, many attempts were made to shift towards a more adaptable, flexible and responsive culture via the promotion of decentralisation and the delegation of authority. As a result, line managers were expected to take on full responsibility for day-to-day tasks and for carrying out many of the HRM functions, such as selection and recruitment, performance appraisal and career development. However, Hakooz claimed that line managers found it difficult to take full responsibility and accountability, as they lacked the necessary skills and confidence. Furthermore, she went on to note that some managers, particularly senior managers, were reluctant to delegate authority to line managers because they did not trust the skills and abilities of line managers to make effective decisions.

The departmental managers interviewed confirmed that there was a limited increase in their HR responsibilities during the transition period in areas like the appraisal of their subordinates, the nominating of people for training, and the recruitment and selection of staff. Indeed, even where formally the responsibilities had been increased, this often did not actually happen for two reasons. First, the managers themselves were often hesitant about doing it. Secondly, their seniors often resisted the devolution of responsibility. For example, the budget and tenders managers noted that:

> *'...For example, regarding appraisal, previously the manager used to write what he wanted and they did not abide by the instructions. The section head also used to appraise. However, in the past the manager used to interfere a lot and would not allow much space for the section head'.*

After privatisation, the new management attempted to change the management style in the company by increasing the devolution of authority and decision-making. For example, after the first six months of privatisation, the administration department manager noted: *'So far, the most important changes made by the French is the devolution of responsibilities'.*

These changes were essentially implemented to give line managers a managerial role, make them responsible for the achievement of their objectives and to equip them with the authority to be able to meet their targets. At the same time, they were also seen as an important means of changing the attitudes of the employees. In relation to this, the HR chief officer observed that:

> *'The attitude of the employees had to change. The parent company helped us to come out with our potentials. The old management was scared and the door was closed. But when the parent company came they encouraged us to take decisions, so now we take the decisions and we see the results*

because in the parent company they were used to this.... Now the manager has a position and the work has more flavour. The manager now has authority and responsibility and accountability. Now the managers are the decision makers. For example, I wouldn't accept a decision to be referred to me if the manager can take this decision....'.

This process of decentralised management was supported by the creation of more performance-based accounting systems under which department managers became responsible and accountable for their budgets. Similarly, the devolution of authority was also reflected in the HR policies, systems and processes as more HR responsibilities were delegated to line managers. Subsequently, the HR function came to play a supportive role rather than an instructive one. Thus, the HR chief officer noted the following:

'They specified in the HR policy that you have to be close to your employees and know what they are doing, not to do their work but to be able to support them as management. They promote authority, accountability and responsibility. Those are the things in the HR policies....HR has a supportive role to line managers, not an instructive one. We give them the policies and line mangers are responsible for implementing them. Each line manager is a HR manager in his line but we support him'.

These developments were, in turn, echoed in the responses of the HR officer to interview cards which sought information on the changes of responsibility and authority of line managers in relation to a number of issues. The findings are detailed below in Tables 7.1 and 7.2.

Table 7.1 The Degree of Change in the Responsibility in Line Managers Role

Area of change	The degree of change
Control of absence	Increased
Discipline of subordinates	Increased
Appraisal of subordinates	Increased
Communication with subordinates	Increased. 'Internal communication has increased'
Training of subordinates	Increased
Recruitment	'They join. In the past they did not. It was the HR manager and the civil service manager'
Planning manpower requirements	Increased
Paying attention to budgets	Absolutely
Control of costs	Absolutely

As can be seen from Table 7.1, the responsibilities of line managers had increased in all of the areas listed, namely, the control of absence, the disciplining of subordinates, communication with subordinates, training of subordinates, planning manpower requirements, paying attention to the budgets and controlling costs. As can also be seen from Table 7.2, these increases in responsibility were accompanied by an increase in the authority given to line managers to make final decisions in relation to a number of issues.

Table 7.2 Supervisors Authority to Make Final Decisions

HR/Personnel Issues	Authority to make final decisions
Taking on people who work for them	'Really you could say yes but through the system. If he wants an employee in his department he is the chairman of the committee. Thus, it is his decision but through the system. He has to recommend to the employment committee. Thus, he can impose it. We did not have this before 2000'.
Deciding on pay rises for people who work for them	'Yes. They can take the final decision according to the new scheme from 0% - 10%. This is new in 2000'.
Dismissing workers for unsatisfactory performance	'They can do it but through the system. For example, if he gives someone poor rating. He will not say to the employee you are dismissed but according to this manager's recommendation it is decided'.
Attendance/Absence	'It is his decision. Before he used to send to HR and the HR was managing this....But now he has complete freedom'.
Disciplinary issues	'Through his authorities as he has authority. He can decide a warning or cut of pay. But to decrease an employee's salary this will need a legal committee. So let us say through the system. He has authority and responsibility'.
Other HR/Personnel issues	'The overtime. He decides whether to give overtime or not; the training, he decides what training the employee should take according to the generic plan; the appraisal; the promotion; salary rises and bonus'.

Thus, Table 7.2 shows that clear changes were made regarding the authority of line managers to make final-decisions. For example, it indicates that line managers now had the authority to take on people to work for them, decide their subordinates' annual pay increases through annual appraisals determine overtime and bonus payments and ultimately decide on promotions. The table also further indicates that they now took a more active role in dismissal and disciplinary issues and the determination of their subordinates' training needs.

The picture provided by the HR chief officer was borne out by the responses provided by line managers themselves. In particular, in common with the HR chief officer, the line managers identified eight areas where their responsibilities and authorities had, in general, increased. First, the training of subordinates because managers had to plan their training schedules and budget for them. Secondly, the use of performance appraisal to determine the annual increase of subordinates within specified limits. Thirdly, the disciplining of subordinates, as the line manager could now recommend that such action be taken and also undertake the preliminary procedural stages. Fourthly, attendance and absence management, where managers now had full responsibility and decision-making powers. Fifthly, communication with subordinates because line managers now had the responsibility to communicate the company policies and objectives to their subordinates. Sixthly, paying attention to the budget and the control of costs, as now each departmental manager had to prepare his/her department's budget, and explain and justify it. Seventhly, planning manpower requirements since managers now had the full responsibility to determine these. Finally, recruitment and selection as managers were now involved directly in the short-listing of candidates, interviewing and the selection of the individuals to be appointed.

Staffing Levels and Composition

In considering the changes made to staffing levels and composition, the developments that took place in relation to managerial and non-managerial staff are considered, in turn, below.

Management Staff

In January 1997, and in preparation for privatisation, JTC reorganised its operations in order to improve the interaction between departments and to create an environment where technical and business considerations were integrated. The reorganisation established four layers of management and eight divisions headed by deputy directors general (DDGs). These divisions comprised Residential Business Services, Corporate Business Unit, Corporate Strategic Planning and Corporate Relations, Information Services, Corporate Services, Finance, Planning and Development, and Operations and Maintenance. All division heads reported to the Director General, who in turn, reported to the board of directors. The four layers of management that were set up consisted of the director general, deputy directors general, departmental managers and section heads.

After privatisation, in January 2000, a new board of directors was formed that consisted of four members representing the government and three members representing the consortium. Subsequently, in the period following the takeover, some restructuring of the organisation took place. This organisational restructuring involved the creation or amalgamation of some divisions in the company, which decreased the number of divisions from eight to five. The layers of management, however, remained the same.

Expatriate managers were appointed to head the new divisions and became part of the executive operating committee which was responsible for managing the company and setting its strategies and policies. More specifically, the operating committee consisted of four French executives – the chief executive officer (CEO), who is also a board member, the chief sales and marketing officer, the chief technical officer, and the chief information system officer – and two Jordanians, namely, the chief financial officer, and the head of human resources (the HR chief officer).

Four other expatriates were also appointed for more than one year, namely, the quality and support manager, the financial controller, the marketing and sales coordination manager, and the Internet project manager. In addition, on average, between 20-30 short-term expatriate appointments of between two weeks and six months were made monthly. These short-term expatriates were experts and specialists who were used to work on specific projects in the different sectors of the company. In relation to this, the HR chief officer noted:

> *'We have eight permanent expatriates....Consultation is needed whenever there is lack of competencies...For example, now I need consultation to build the career planning so I asked the parent company and they have sent me a consultant for six months. If I need an expert for 10, days I bring him'.*

This use of expatriates, in part, reflected the parent company's general approach of bringing in its own teams to manage the subsidiaries and to transfer the know-how of the parent company and thereby enhance the competencies of local staff. Thus, the Senior Vice President of Human Resources and Communications stated:

> *'We use expatriate managers for the transfer of know-how and control. We always have a CEO or a deputy because we put in a lot of money and we want to know what happens with our money.... We also send some expatriates to manage the company in sectors where it is necessary. So sometimes in our subsidiaries we have ten or more expatriates and sometimes when it is not necessary we only have two or three people. It depends on the company ...and on the number of sectors where we consider that we have to transfer the know-how...It is a company policy to appoint expatriates because the type of operation is telecommunication activity and it is very specific and you have to know the sector.'*

In a similar view, the sales and marketing chief officer noted that:

'The company's policy is to have permanent people from the parent company working in Jordan. Others with special expertise come on short-term basis from one to six months.'

On the other hand, at Telecom Co, some of the expatriates were appointed as a result of the management contract laid down by the Jordanian government. For example, the former director of the Telecommunications Regulatory Commission stated:

'...A condition was made to guarantee that the French will run the company.....Thus, the government asked for the management contract and they gave the French an annual fee for running the company for five years....The French did not object. To have a management contract for five years means that they can run their investment the way they want'.

Thus, the agreement to transfer know-how in a way coincided with the parent company's approach to appoint expatriates to run the subsidiaries. In relation to this, the Senior Vice President of Human Resources and Communications observed that:

'When we sign a contract with a country, for example, when we signed a contract with the Jordanian government we signed to transfer know-how. This means we have to take people from the parent company's Group to Jordan to make a transfer of know-how'.

Nevertheless, it should be noted that the use of expatriate staff was limited in two ways. First, concerns about political and media backlashes acted to restrict the number of expatriates that could be employed. For example, the media manager observed:

'They take care about the public opinion and they take into account the criticisms. Thus, they say we shouldn't have large numbers of the French in the company. The people should not feel that we are going to take their positions and jobs.'

Secondly, the government required that at least two members of the executive operating committee be Jordanian. Accordingly, as already noted, two Jordanians were appointed to the operating committee, namely, the human resources officer and the financial chief officer. Thus, the former director of the Telecommunications Regulatory Commission noted that: '*...During the negotiations the Jordanians insisted on having two Jordanians on the operating committee*'.

The Senior Vice President of Human Resources and Communications also confirmed that during the negotiations the government asked for two Jordanians to fill senior positions. However, she indicated that, in terms of Human Resources (HR), the parent company's general approach was to appoint a local HR director in its subsidiaries. This was because the parent company believed that it was very important to have a HR person who knew the culture and the laws of the country, as these varied from one country to another.

Non- Managerial Staff

Before its corporatisation, employees in the TCC were divided into four main categories in terms of their employment conditions, namely: classified, unclassified, contract, and daily workers.

Classified employees were permanent employees who had considerable security of employment and belonged to the Government's pension scheme and therefore received a civil service pension when they reached the age of retirement. This was 60 years for men and 55 for women, or when they finished the length of service required, namely 20 years for men and 15 years for women. In addition, these employees were entitled to other benefits, such as paid sick leave.

Unclassified employees received a salary approximately equivalent to that of the classified employees doing the same job. However, these employees did not belong to the government's pension scheme but received a terminal gratuity after one or more years of service and were subject to the social security pension scheme.

Contract employees were appointed when staff were required on a short-term basis or where the TCC salary scales were not attractive enough to obtain the required labour. These were employed on a fixed contract basis for a minimum of one year and they negotiated their salaries personally. They did not belong to the government's pension scheme but received a gratuity after any length of service and were also subject to the social security pension scheme. Regarding daily workers, these were hired on a short-term or daily basis according to the company's needs and were also subject to the social security scheme.

On 1 January 1997, and in preparation for privatisation, daily workers, and unclassified and contract employees were transferred directly to JTC and were made company employees with new contracts. JTC had no problems in dealing with these three categories since they had already been under the social security umbrella. Subsequently, these employees' terms and conditions were made in accordance with parameters established for JTC employees.

However, the situation regarding classified employees was problematic. JTC had some difficulties in dealing with this category because some of the employees had not reached the retirement age or did not have the length of service required to obtain a pension. Thus, JTC had to find ways to persuade these employees to transfer their pension benefits to the less favourable social security scheme. In addition to this, finding a suitable reward package that fitted with the civil service by-laws and employment legislation was also problematic.

Accordingly, on 31 December 1996, the classified employees were transferred to the Ministry of Post and Communications and, on 1 January 1997, they were seconded from the Ministry to JTC. As a result, they remained civil servants until a decision was reached as to how their future employment status should be handled. Eventually, after lengthy discussions and negotiations, on 1 January 1998, the government adopted three solutions regarding classified employees, depending on the employees' length of service and their entitlements to pensions under the government's scheme. These solutions were as follows:

a) 362 employees with more than 20 years of service were retired and hired by JTC as of 1 January 1998 as employees with new contracts.
b) 382 employees, who were unable to retire under the government scheme but had a substantial length of service ranging between 15-20 years, remained civil servants until they qualified for retirement and then once again they would be rehired by JTC on completion of their 20^{th} year of service.
c) 983 employees, who had been employed for less than 15 years of service, remained civil servants on secondment arrangements with JTC until they reached retirement.

Subsequently, the new JTC terms and conditions of employment were implemented during the preparation for privatisation in accordance with a grading structure under which the employees were divided, according to their qualifications, into four categories. The first category consisted of higher management jobs, such as deputy directors, consultants, experts, district managers and department managers. The second included specialist jobs, section heads, engineers and employees with a university degree and above. The third encompassed technical and clerical jobs in administration and finance, and employees with a diploma or a general certificate of education (GCE). The fourth category consisted of employees in the support services, such as daily workers, security guards, and drivers.

After privatisation, the employment of daily workers was subsequently terminated and they were made permanent staff, as of 1 August 1998 and, at the same time, were transferred/promoted to the third staffing category. These changes reflected the new management's view that, since these workers had received required training and possessed valuable skills, they constituted an important resource that needed to be retained. At the same time, according to the HR chief officer, this process also helped to eliminate the differences in salaries and status between the employees and in doing so made the employees happier. For example, the HR chief officer noted: *'so we normalised their situation and now we are more comfortable as we don't have such categories. Now everybody has become a complete corporate permanent employee...this is better for the company and the employees equally'.*

As regards staffing level, on 31 December 1999, the total number of staff was 4,891, including 617 daily workers[1]. As mentioned above, after the new management took over all employees in company became full-time permanent staff, and by 23 July 2001, the number of employees had decreased to 4,841 through normal attrition, retirements and resignations. This limited decline in the number of staff reflected a two- year prohibition on redundancies imposed by the government.

As regards future trends, the position was less clear. On the one hand, the earlier observation made about the desire to enhance productivity in the core Telecom business implied a further reduction in staffing levels. On the other hand, the company was envisaging and was engaged in, developing activities in other parts of the business where staff could be transferred. For example, a large number of employees had already been transferred to marketing and customer services departments in the company. In addition, 222 employees were subcontracted through a private company to work on special projects, such as a call centre.

As a result, the prevailing view of senior and middle managers was that there would not be any marked reductions in staff numbers. This point is further borne by the following quote by the HR chief officer: '...our policy is *not to reduce the numbers of employees but also not to bring in unneeded employees as was done before*'. It is further supported by the following observations of the training department manager:

> *'In JTC the major policy now is that we are training our employees and we are providing our employees with comprehensive training. This is a clear policy in the company because it balances with the parent company's policy that they don't want to fire the employees and consequently, we have to train the employees'.*

Interestingly, returning to the point about the parent company influence, this was exactly the same strategy that the French parent company adopted when it was privatised. Thus, in relation to this, the chief sales and marketing officer noted:

> *'We are facing here a situation similar to what we faced in France twenty years ago. So what we are doing here is like what we did in France.. We have the same issues to solve...First, for the technical part we need to improve the networks...and then we need to move people from a technical orientation to a sales orientation to be able to face the competition.... One of the main strategy decisions of the parent company is not to decrease the staff of the company. The parent company before and after privatisation in France retained the same staff....in fact we added staff..... We didn't make plans to reduce people, we made plans to move people from one sector to another, from technical to sales and we have the same objective here...In France it was a political issue. In Jordan, the condition is to retain the employees for two years but these things you plan them for more than two years. So in the first two years we do not have a choice but after that we can choose. We are going to follow the same direction after two years as in France, not to divide the number of staff by two but to develop the business and to adapt the people to be able to face different challenges. We have this principle that we can train the people and improve their skills'*

Recruitment and Selection

Before 1997, recruitment was centralised and conducted through the civil service office and the organisation implemented the instructions laid down by the civil service regulations. The personnel department consequently handled all recruitment procedures in conjunction with the civil service office. For example, the DDG of corporate services noted: *'recruitment in the company was the sole responsibility of HR...Recruitment decisions were made jointly by the personnel manager and the civil service manager'*.

In 1997, in preparation for privatisation, a new recruitment policy was implemented based on revised job specifications for all the employees. These job descriptions were developed utilising a new format which identified key results areas, performance indicators, and essential and desirable employee characteristics.

For selection and recruitment purposes, two employment committees were formed. The first committee, which consisted of five board members and was headed by the general director, was responsible for the selection and recruitment of positions above section heads, although its role was limited to referring its recommendations to the board of directors for approval. The second committee consisted of five members, including a representative from HR, and was formed to select and recruit candidates below section head level. In this case, recommendations were referred to the director general for approval.

However, in general during this period, the company placed a freeze on recruitment and only a few recruits, notably engineers, were appointed. It should also be noted that in reality recruitment continued to be based on personal preferences and connections, not on qualifications and job descriptions. For example, the former adviser to the director general and a member of the board of directors, noted: *'Job descriptions are on paper. Something they use but many times they don't. For the HR department this is a big problem'*.

In 2000, after privatisation, the recruitment and selection policy was modified and according to the HR officer, *'a more sound policy was implemented to recruit based on competency not on favouritism'*. The jobs descriptions, which were introduced in 1997, were refined and new ones were introduced to cover jobs which previously did not exist in the organisation. Thus, new employees were recruited according to the job descriptions and the main criteria used for recruitment purposes were qualifications, experience and skills. Thus, the HR officer noted: *'we have become heavy on the recruitment of qualified people who have the capabilities to run our projects...'*.

Recruitment procedures were, as already noted, also further decentralised from HR to relevant department and line managers. More specifically, a selection committee would now consist of the relevant department manager and other specialists in the department, as well as HR representatives. Once again, however, the committee could only make recommendations: this time to the employment committee, a smaller version of the operating committee. In the case of posts below managerial levels, the final decision was made by the employment committee. However, for higher level appointments, the employment committee would refer its recommendations to the operating committee for final approval. In commenting on these new procedures, the HR officer noted:

> *'Recruitment is not as centralised as before.... Now there isn't a chair of the board of directors to decide on recruitment. Now there is one employment committee and the operating committee. Now, the general manger/CEO is one member of the operating committee'.*

It should be noted, however, that both the new job descriptions and the type of employees recruited were influenced by the parent company and reflected its general approach regarding recruitment and selection. For example, the senior vice president of human resources and communications noted that:

> *'We recommend that subsidiaries have job descriptions for the range of different types of jobs in the company...We show to our subsidiaries the types and profiles of employees a Telecom Operator needs, in terms of the levels of educational studies and skills... So we explain to them how the parent company evolved and what the future needs are for us, in terms of the profiles and activities that we have to cover. So we give them advice in terms of the profiles they need and the type of jobs they need.... This*

also helps them to plan and arrange with schools and colleges in the country the type of people they need in two or three years time'.

Another important feature of the new recruitment policy was its emphasis on internal recruitment, either from the subsidiary or the wider parent company, to the point where the organisation would only recruit from the external market if no suitable candidates were found internally. The following quote made by the Human Resources officer illustrates this:

'Now we are very hard on internal recruitment. So, for example, when the marketing people tell me they want people, we launch advertisements internally to find the competency. We don't go outside...... In the recruitment policy, really, they have specified one important thing: whenever it is possible, internal recruitment should be used and if we don't find the competency internally then we go outside. They have specified this in the HR policy'.

This emphasis on internal recruitment echoed the parent company's policy regarding internal recruitment. Thus, to overcome the problem of overstaffing, the parent company was advising its subsidiaries to first seek internal recruits and only employ from the external market if the competency was not found internally. In relation to this policy, the vice HR director at corporate headquarters observed that:

'In recruitment we are overstaffed in the main branch so we'll say to the subsidiaries please make sure that there is no one in the Group who can do the job. If you have equality in competency between someone coming from outside and someone coming from inside, please take the one from inside'.

Performance Appraisal

Before 1997, performance appraisal was implemented in the organisation according to the civil service regulations and did not include any targets or objectives. Appraisal was considered to be a formality and was carried out by department managers. It was also based on relations and favouritism, and almost every one was rated excellent, as there were no limits on the number of employees who obtained the different ratings.

In 1997, and in preparation for privatisation, the company's employees, an external consultancy and the HR department worked on a new appraisal system. The main objectives of this new scheme were to identify employees' training needs, to strengthen the relationship between the managers and their subordinates, and to incorporate a management by objectives system, and reinforce career development and succession planning. However, the board of directors decided to link performance to pay, which according to the former assistant personnel manager, was not originally intended. Thus, in commenting on this, the former assistant personnel manager, noted:

> *'The main areas that we worked on in preparation for privatisation were: performance appraisal, career development, succession planning, and training needs. The main aim was to develop the employees through performance appraisal and to recognise their needs. But the top management changed this and linked it to annual increments, this distorted the objective of the performance appraisal because it was intended that the employees would come to the interview and be prepared to talk about their needs so that we can help them, not only because I want to give them an increment or punish them, it is not a punishment tool. But the board linked it with the annual increment and it became performance related pay. We didn't want it to be directly related to pay'.*

As a result, when introduced, the new appraisal scheme served four main purposes. First, to provide an evaluation of the skills and competencies of the employees. Secondly, to set objectives and review performance against these objectives. Thirdly, to enable training needs to be identified. Fourthly, to provide a method for linking pay to individual performance.

The introduction of management by objectives was considered to be a major change in the organisation. Thus, the HR chief officer observed that:

'A performance appraisal system was suggested, then was adopted and implemented by the company. It was completely different from the one which existed before during the civil service system, as the company's objectives were stated as well as the employees' objectives... '.

However, although management by objectives was introduced in 1997, the process was not really used, since many people did not understand it and were not convinced about its value. In a similar vein, the arrangements proposed for career and succession planning were not applied. In part, for very similar reasons, but also because of their impractibility against the backcloth of uncertainty about whether privatisation was going to occur and therefore, what the future needs of the organisation were.

However, after privatisation, in 2000/2001, management by objectives was activated and people were appraised according to the achievement of their targets. For example, the outside planning and development manager noted:

'The appraisal is based on objectives ...This was applied since 1997 but it was not effective or the people were not really held accountable for their appraisal until the French came. When the French came targets became clearer and functional and people are now appraised according to the achievement of these targets'.

Similarly, career management, high-flier and succession planning policies were applied when the new management took over and these were linked to appraisal and training and development. Thus, the HR chief officer observed that:

'Appraisal by objectives is now more functional....Succession planning was an idea. Now there is a written policy and we started to apply this idea in 2000.... Career management was an idea. Now we improving it through a new career management system and a generic training plan. So now the policy is progressing and may be it will be finalised by the first quarter of 2002. We started early this year (2001).... for high fliers...now it is applied'.

These changes were in line with the common principles that the parent company implemented in its subsidiaries. For example, the senior vice president of human resources and communications at corporate headquarters stated:

> *'...We recommend to our subsidiaries to introduce a real system of evaluation connected to compensation.... But there is one domain where we interfere more – it is about the high potential people. We want to develop with our subsidiaries the identification and development of high potentials (HPs). For example, in Jordan the detection of high potential people in Jordan Telecom. Because we think that sometimes it will be very important for HP people to go to another subsidiary and we may send one Jordanian to France to learn how to do marketing or IT. So we interfere but it is more on the management of high potential people than anything else. ...Also career management and succession planning are other things that we introduce in the subsidiaries...'.*

Training and development

Before 1997 there was a training department and the Telecommunications Training College, which was non-residential and located some 12 kms from TCC headquarters. The telecommunications college was a training centre and catered mainly for engineering and technician training.

Overall, the training delivered in the company was engineering oriented and there was an apparent lack of commercial and financial type courses. In addition, overseas training was very limited and was linked to the availability of scholarships and external funding in the form of aid from other countries or international companies.

During the preparation for, as well as after privatisation, significant changes were made to these training and development arrangements. In this section, these changes are detailed through an exploration of the reforms introduced with regards to the training undertaken at the subsidiary level and the use made of overseas training.

Subsidiary Level Training

In preparation for privatisation, it was decided that the telecommunications college should become part of the training department. During this period, new training policies and programmes were also developed to change the employees' mentality and attitudes to work. As a result, the training budget was increased and a wide range of intensive training courses were developed, particularly in the customer care and customer services areas. In addition, a process to involve line managers in the design, delivery and evaluation of training was introduced, and the scope and responsibilities of the training college were redefined to include management and computer applications training.

The majority of the training was held at the training centre. More specifically, 80% of the training was held in the centre while 20% was externally delivered domestically by local Jordanian institutions, and overseas. However, according to the adviser to the chairman and a member of the board, there was no coordination and training was not compulsory. As a result, only 20% of the employees generally attended the courses voluntarily. Thus, he noted:

> *'The training department prepares the training programme. They will make a general inquiry and get feed back and then announce the training programme. No more than 20% will go to the course unless top management clearly instructs it'.*

After privatisation, on 1 August 2000, it was decided to again separate the training department from the training centre and, as a result, two separate departments were formed, each headed by a manager. Subsequently, the training department employed ten people and the training centre consisted of 48 people. The training department dealt with training planning and evaluation, and the provision of external training. Meanwhile, the training centre continued to carry out the same function of providing internal training to the employees.

All respondents interviewed confirmed that since privatisation the training in the company had increased and that it was available to all employees. For example, the administration department managers observed that: *'We see them training everybody in the company – the technicians, the managers and the administration...'*. In a similar vein, the HR chief officer noted:

> *' They give training to all categories...Group four needed minimal training. As for group two this represents the potential for higher management and there is a lot of concentration on them. The first and third groups they also concentrate on them. So they really concentrate on the first three categories'.*

This expansion in training was reflected in the training budget. The actual budget increased from JD 259,000 in 1999 to JD 832,000 in 2000, and the estimated training budget for 2001 was JD 1,200,000. This increase in training reflected the significance of training to both the government and the parent company[2]. On the one hand, according to the former deputy director general for strategic planning and corporate relations, in line with the agreement with the government, the strategic partner was required to provide training to employees, especially in management areas such as administration, financial systems, customer services, sales and marketing and business planning. On the other hand, the parent company viewed training as an essential component of its strategy. Thus, every member of the Group was expected to spend at least nine days a year undergoing training. For example, the training and development coordinator of international programmes in France noted:

> *'We spend around 7% of our total expenses on training. We spend a lot of money on training and it is really an important part of the strategy of the company...The new employees also get specific training when they join the parent company. We put a lot of effort into training'.*

In addition to the increase in training expenditure, a more systematic approach was also adopted towards the identification and assessment of training needs and the new training policy was linked to career planning and promotion. Thus, for a person to be promoted from one position to another, he/she had first to undertake a set of training courses, either managerial or technical, depending on the job. However, later on, in 2001, the training policy was refined and a new training system was put in place.

Under the new system, generic training plans, based on the job descriptions of the employees, were designed for each of the around 250 posts in the company. The generic plan therefore detailed the necessary training courses for each of the company's employees. Subsequently, each department matched the generic plan for each position with the training records of individuals and accordingly decided on the training courses that should be undertaken by each employee. In relation to these recent changes, the training department manager noted: *'now there is procedure not like before. Now we have a training plan and this plan is based on the training needs of the employees.* In a similar vein, the HR chief officer observed that: *'...Training has changed tremendously. It turned from black to white. Before there were no plans and no objectives'.*

It must also be noted that the implementation of these changes was facilitated by the introduction of departmental budgets, which allowed flexibility and freedom of decision-making. Thus, the training department manager observed that:

> *'If the training courses are internal or local then they are within the training plan. For every department there is a budget and so it is possible to train the employee without referring to anyone...The training department arranges for internal and local training courses within the training plan and chooses the provider'.*

Overseas Training and Networking

During the transition period for privatisation, overseas training increased but continued to be at a low level, since it only amounted to 2% of total training received. For example, the training department manager observed in relation to this, that: *'overseas training was a tragedy and most of it was scholarships/aid'.*

After privatisation, overseas training increased tremendously and this was reflected in the increase in the proportion of training expenditure spent on such training. For example, at the time of the interview in August 2001, out of the JD 1,200,000 estimated training budget, the company had already spent JD 550,000 on training. Out of this JD 550,000, the company had spent JD 300,000 on overseas training and this figure was expected to reach JD 500,000 by the end of the year. Consequently, the HR chief officer noted:

> *'... We have never sent people for training abroad as much as we have in the years 2000 and 2001, in terms of bulk and money.... Overseas training has increased by 500% more than before. They are very open with regard to this and they consider that any training given to any employee in the company is a gain to the company...'.*

Against this background of expansion, overseas training in the company came to consist of three components. First, training on new equipment that had been purchased from abroad, which involved employees being sent to the source company. Secondly, participation in workshops, seminars and conferences held overseas. Thirdly, attendance at specialised training courses to learn about modern technical, managerial, and financial techniques.

Consequently, the company's overseas training activities were not only focussed on the provision of 'technical skills', but also on supporting the broader process of management and cultural reform, and the company's objectives of preparing local staff to take over in the future. As a result, most of the overseas training was provided to the first and second categories of the employees who had potential to progress in the company and assume managerial positions and, to a lesser extent, to the technicians from the third category. Thus, the administration department manager noted: *'In overseas training they usually concentrate on the managers and section heads and some technicians'.*

The use of overseas training was also and relatedly, used to give participants an opportunity to form networks, share information and develop a multi-cultural mentality. For example, special development courses were held for managers from different functions and areas to share information and learn from each other. These programmes were run in English in order to internationalise the Group. In relation to this, the training and development coordinator of international programmes at corporate headquarters noted:

> *'The aim is to put people together and mix the participants from different areas so at the end it is for them to share information and learn from each other. So it is based on the learning community principle...The company is international but now we have to make the people international and make them feel they belong to an international company, so we have these programmes to open their minds on this international activity...It is to develop a multi-cultural environment which is not yet very much obvious within the parent company'.*

However, despite the significant importance that the parent company attached to training and development, it had developed a decentralised approach towards it. As a result, the subsidiaries were free to plan and design their training programmes as they saw suitable and were able to decide their own training expenditure and budgets locally. Thus, the training and development coordinator of the international programmes at headquarters observed that:

> *'There is no general policy regarding subsidiaries and Jordan Telecom is not different to the other subsidiaries...Acquiring new companies is quite new and things are done on an individual basis as far as training and the movement of personnel are concerned, so far. The subsidiaries are free to train their staff the way they think is most appropriate, either using the*

parent company's training programmes or other training programmes. If there are exchanges of managers, it is done on an individual basis again'.

This decentralised approach to training and development was also illustrated by the sales and marketing chief executive, who confirmed that the subsidiary in Jordan was very autonomous in deciding on its training programmes. For example, he noted:

'...The management here have a large autonomy. So if we need training in France, we ask for training in France. If we need somebody from the parent company, we ask for them. If we need to train somebody in Switzerland, we go to Switzerland. Here we have a very large autonomy'.

However, despite this perceived autonomy and decentralised approach towards training and development, the nature of the training activities in the subsidiaries was influenced by the parent company through its advice on the type of qualifications, competencies and profiles needed in the subsidiaries. In relation to this, the senior vice president of HR and communications observed that:

'...We influence the training and development in the subsidiaries because we give them advice in terms of the profiles they need or the type of jobs they need. This means that we influence the type of training they organise but they decide directly. But we give advice before'.

It seemed that this advice was partly transferred through the exchange of visits between subsidiary and parent company staff. For example, in September 2001, a training expert was brought in from headquarters in France in order to help design a new training policy and to develop new mechanisms for training in the company. Similarly, consultants from different fields were sent to identify the company's needs and the changes required and this influenced the training implemented. The following quote by the outside planning and development managers reflected this:

'Through consultants the parent company transfers know-how....In outside planning now we have new criteria so people have to be trained. Now we have tools that we need to use more efficiently. We get consultants from the parent company and they come to us and help us to identify the

weak points that we have to improve. Accordingly, we plan our training schedules and we budget for them and then we execute such training'.

Rewards

Before 1997, the employees were subject to civil service pay scales. Annual increments were automatic and promotions were based on length of service and seniority. On 1 January 1997, and in preparation for privatisation, all the employees received a 10% increase in their salaries and they became entitled to 13th and 14th months' salaries, as of 1 January 1998. At the same time, there was a move away from the payment of annual increases on the basis of length of service and seniority and towards performance-related increases.

Under this new system, the levels of performance were rated as excellent, very good, good, acceptable, and weak. These ratings were then linked to annual pay increases ranging from 5% to 3% to 2% to 0% and 0% respectively. The employees who received an acceptable or weak rating were therefore, not given an increase. In addition, a warning was given to the person with a weak rating. At the same time, a limit was put on the numbers of employees who were able to receive particular levels of annual increase. Thus, in each department a maximum of 7.5% of the employees were entitled to receive an excellent rating, a maximum of 30% of employees could receive a very good rating and a maximum of 45% could receive a good rating. These ratings and limits are summarised in Table 7.3 below.

Table 7.3 Appraisal Ratings, Limits and Related Pay Increases

Levels of Evaluation	*% of employees in each level*	*% of annual increase*
Excellent	7.5%	5%
Very Good	30%	3%
Good	45%	2%
Acceptable/Weak		0%

After privatisation, initially the limits on the number of employees in each department who could receive a particular rating were changed as shown below in Table 7.4. But the percentage of annual increases remained the same.

Table 7.4 Annual Increase, Ratings and Limits: 1998 and 2000.

Levels of evaluation (Ratings)	**% of employees in each dept. in 1998**	**% of employees in each dept. in 2000**	**% of annual increase**
Excellent	Max. 7.5 %	Max. 5%	5%
Very good	Max. 30%	Max. 25%	3%
Good	Max. 45%	Max. 70%	2%
Acceptable/fair			0%
Weak			0%

Subsequently, in March 2000, a new pay scale was introduced which was based on matching salary scales with job descriptions. The main criteria used for this purpose were educational qualifications and experience. Thus, the HR Chief Officer stated:

> *'The pay scale and increments have been determined based on the job. Also they were based on the marketing survey conducted...Based on the general situation of the Jordanian market...and according to the general economic situation in Jordan.... Experience and education are the only parameters'.*

Consequently, the pay levels were set according to the degree of importance of each post and its worth in the market if the employee went to another company. For example, it was noted that some engineers were leaving the company because of higher salaries offered elsewhere (See further details on page 264). Thus, the health insurance section head and a member of the trade union noted that:

> *'...in fact the engineers in the company started to resign to go to other companies in the private sector. So if I have an engineer with 10 years experience he must be rewarded and given the salary he deserves...So the salaries of some of the engineers were improved and we are still seeking to increase the salaries of some other engineers'.*

The new pay scale was applied in three stages. First, in April 2000, all company employees received a 3% increase in their gross salaries. Secondly, on 1 June 2000, the new salaries of the third and fourth categories - technical and supportive jobs - were introduced. Finally, on 1 August 2000, the pay scales for the first and second groups – managerial and specialist jobs - were introduced. If, according to the new pay scale, an employee would receive a lower salary than before, it was provided that he or she would continue to receive the higher salary. In addition, all employees continued to be entitled to the 13^{th} and 14^{th} months' salaries.

In 2001, further changes occurred in both the limits placed on the proportion of employees who could receive a given performance rating and the pay increases that were associated with these changes. As can be seen from Table 7.5 below, the effects of these changes were to further restrict the number of employees who could get excellent and very good ratings and to increase the pay increases that could be awarded in respect of the top three levels of performance. These changes were intended to provide employees with a greater motivation to improve performance.

Table 7.5 Revised Appraisal Ratings, Limits and Related Pay Increases

Levels of Evaluation	*% of employees in each level*	*% of annual increase*
Excellent	3%	10-15%
Very Good	25%	5-10%
Good	62%	3-5%
Fair & Weak	10%	0%

The above objective was, moreover, to be further pursued via the future introduction of a variable bonus scheme. The new bonus scheme would be based on the company's performance and involve a lump sum percentage of profits being distributed to all the employees once a year, according to their performance.

These changes to pay arrangements were accompanied by the adoption of a more systematic approach to promotion. This involved the introduction of a new point system under which the employees were given points according to the level of their performance appraisal. Thus, Excellent, very good, and good ratings were awarded 4,3, and 2 points respectively, while acceptable and weak received zero points. Once an employee had received 12 points, he/she then qualified to be promoted if a vacancy was available, a process that could take three years, instead of five as previously was the case. Consequently, this system enabled the organisation to detect high fliers and employees with high potential and promote them over a shorter period of time to the required positions in the company. Thus, according to the HR chief officer, as the following quote shows, promotion was linked not only to appraisal but also to career development and succession planning. He noted:

> *'Before promotion was based on seniority and the number of years of service. There wasn't a career plan or anything..... Now the person does*

not have to complete a certain number of years to be promoted. This is because you have high fliers who will be promoted within three years'.

Benefits

With regard to benefits, when the new management took over a number of new benefits were introduced. These benefits included the implementation of an employees' saving fund under which employees could choose to pay 5% of their salaries into the fund, with the company matching this payment; a death compensation fund to which the company contributed monthly 3.5JD for each employee and the employee contributed 2.33JD; and an end of year service compensation scheme, where every employee would take a month's salary for every year he/she had served in the company. Private health insurance was also improved so that it included not only the employee but also his/her family. Furthermore, the transportation allowance, which was given to those who undertook certain jobs, became more flexible, so that employees could take a company car instead of a financial allowance.

Other new benefits included free subscriptions to fixed line phones, according to the length of service and the employee's position in the company, and free mobile phones and other special offers. For example, mobile phone line rentals were free up to JD 25.00 a month for section heads and up to JD 50.00 for the managers. In addition, used computers were sold to the employees at very low prices. Furthermore, according to the payroll and funds manager, new benefits were also under preparation, including loans for employees and a housing fund that could be used to provide 'mortgages'.

It should be noted that this increase in the benefits to the employees reflected the parent company's approach towards providing new benefits and financial assistance to employees. For example, the senior vice president of HR and communications at corporate headquarters noted:

> '...*We introduce new benefits for the workers....We insist on health insurance and retirement pensions because we believe that the company has to organise a system to help employees to get money to be able to pay the bills*'

This view was confirmed by the HR chief officer in Jordan who commented: *'The French are very easy and they would like to give every possible needed benefit for the employees, wherever it is possible'*.

Communication and Consultation

Before 1997, communication was very weak in the organisation and constituted mainly of instructions from higher levels to lower levels. In preparation for privatisation, the management made some greater efforts to keep the employees informed about developments in the company. However, during the latter part of 1997 and throughout 1998, communication with the employees took a downward turn due to the uncertainties surrounding the privatisation operation. For example, the former general director noted:

> '...*During this period it was difficult to communicate to our employees something which was not clear to us actually. So how are we going to explain to our employees what is going to happen, when we are ourselves uncertain. That affected the employees in various ways and forms. In fact, it had a negative effect*'.

By the end of 1999, communication became the responsibility of the public relations section, which was part of the HR department. However, communication continued to be weak in the company as employees continued to receive merely instructions from upper management, without being given much opportunity to express their own views. Thus, meetings were *ad hoc* and the monthly newsletter was not regularly produced. Thus, the internal and communication section head noted:

> *'It was all problematic because we didn't have communication – it was one way, there wasn't any echo or feed back. Just instructions from the management from the top...The employees did not know anything and what was happening to approve or disapprove or to express their views. They might learn about things through roumers only and what is transferred from one person to the other'.*

After privatisation, internal communication became the responsibility of the administration department, which was part of the HR division, and a new communication policy was introduced. Subsequently, several steps were taken to improve communications through such means as the use of electronic mail and mobile phones, and the launch of regular weekly news bulletins, which were distributed to all of the employees and were also sent by electronic mail.

Other new communications methods included the introduction of an internal Internet, "Intra-JTC", which was used to provide the employees with updated news and information. In addition, meetings between top management and all employees were introduced in the company, and supervisors and managers became responsible for communicating the company's news and policies to their employees. Thus, seminars were held for managers and section heads to inform them about the new policies, who, in turn, communicated these policies and objectives to their employees.

These changes were borne out by the responses of a number of the interviewees. For example, the internal communication section head noted:

> *'Before there were no meetings between the higher management and the employees. Now there are. For example, last year the CEO had a meeting with all of the employees and this meeting was arranged by the administrative department... Also the HR executive director went to the regions and he met all the employees and saw their problems and this is something new.'*

In a similar vein, the budget and tenders manager noted:

> *'Communication has changed, as I don't recall in the past that a meeting was held between the higher management and the employees and not even with the managers. Now meetings are held more than one time a year with the employees... Now I have more responsibility to communicate the policies and objectives of the company to the employees...There is a hierarchy. There are weekly meetings between each chief officer and his managers and the managers are asked to meet with their subordinates to explain the relevant things'.*

A further step was also taken to improve communication through the introduction of surveys to measure employees' job satisfaction. Thus, in July 2001, a comprehensive employee job satisfaction survey was prepared by the marketing intelligence department, in cooperation with the HR department, and distributed to all the employees. According to the HR chief officer, the job satisfaction survey included questions about all the HR policies, including pay and annual increases, promotions, performance appraisal, and internal communication. Similarly, the marketing intelligence department manager commented:

> *'The survey was about the satisfaction of everything that related to the employees and the employees are happy about the survey because it indicates that the management cares about the employees. We expect this survey to be conducted on a regular basis and we will see how much the management will improve things'.*

More generally, in commenting on the changes that occurred in the communication field in the company, the HR chief officer noted the following:

> *'There is a revolution here. Before there wasn't communication. Now we have bulletins and magazines, we have intranet communication, and we have weekly scheduled meetings between the management and employees. We also have social and sportive activities for the employees...We have presents for the employees and we have meetings for the employees and we have tours for the employees in the country. These are arranged by HR and the communication department.....Now there is more communication'.*

These improvements in communication can be seen to reflect the emphasis the parent company placed on these issues. For example, the administration department manager noted: *They concentrate a lot on communication'*. In a similar vein, the HR chief officer noted: *'They specified this in the HR policy, you have to be close to your employees, to know what they are doing'*.

The parent company's influence can also be seen by the management style adopted by the expatriate managers, who acted as the 'voice of the parent company'. This was reflected by the following quote made by the market intelligence manager, when commenting on the changes in the company:

> *'I feel that there are many changes. If you have an idea or suggestion the French accept them and possibly, if they feel that the idea is good, they apply it. We give many suggestions and they say good - go ahead. So we feel that they respect our ideas and our feedback and we find a listening ear to our views and ideas. In the past they would take them and throw them away. In the past if the person did not find any personal benefit for him from the suggested idea, he would not support it or adopt it. In the meetings they say to us we respect your ideas and we feel this'.*

Trade Unions and Employee Consultation

Before privatisation, there were no unions and no official forms of employee representation. After privatisation, the JTC employees wanted to form an independent Telecommunications Union that would aim to represent all of the companies in the telecommunications sector. However, the government rejected this request and asked them to join an existing union[3]. Subsequently, the JTC employees wanted to join the Electricity union but this request was also rejected and they were told to join the "General Trade Union of Workers in Public Services and Free Occupations". As a result, at the beginning of 2000, JTC employees joined this union and formed a committee of eight representatives to represent employees.

According to the JTC trade union representative and health insurance section head, the relationship between the union and the management was good. However, there was no direct contact between the French managers and the union, as the following quote from the JTC union representative and health insurance section head illustrates:

> *'Until now the communication between the French and us are not open. Our line of communication now is with the HR chief officer. He is a member of the operating committee and he represents the management and at the same time he tries to cover the gap between the French and us…'.*

Nevertheless, it appeared that the union had managed to secure some changes in management policies. For example, when the new pay scale was implemented, some employees did not benefit from the new system and remained on low salaries. The union consequently negotiated and agreed with the management a programme to increase the salaries of these employees in the fourth category by transferring them to the third category. In addition, at the time of the interview, the union representatives were negotiating the position of 39 employees who were university graduates and had studied history, geography, and Arabic literature and as a consequence had not benefited from the new pay system, because they were not considered to possess the suitable qualifications required by the company. Furthermore, the union, together with the engineers' association, had negotiated with the management over the position of the new engineers in the company. As a result, the salaries of these staff had been increased and made compatible with those working in the private sector. Furthermore, at the time of the interview, the union and the engineers association were still seeking to increase the salaries of some other engineers.

It should be noted, however, that the management had not consulted the union over any of the new policies that had been introduced. For example, the JTC trade union representative noted:

> *'Until now the management has not discussed with the union any issue that relates to the employees....When the new pay system was introduced we were completely absent. Anyway at the beginning of the formation of the union, the management did not know what they wanted and we didn't know what we wanted. So until now the union has not shared in any decision taken in JTC. There is no consultation at all....Regarding the policies, they have workshops and involve the section heads and the managers and they provide some ideas and discuss them. However, us as a union, they don't involve us at all'.*

This view was confirmed by the management who claimed that there was no reason to consult the union as no real changes had been introduced in the company. The following quote by the HR chief officer reflects this point of view:

> *'We didn't have things or changes that necessitated consultation with them. We should consult them but we didn't have real changes....If we had changes that would affect the nature of the work and the workers' rights and feelings we would have consulted the union.... I expect that there will be cooperation between us'.*

At the same time, other developments were taking place which were acting to increase the level of workforce consultation. For example, a number of new committees were formed, such the death and compensation committee, and the saving fund committee, which had union representation. Nevertheless, despite these changes, according to the union representative and administration department manager, the JTC employees still felt that their position *vis-a-vis* management was weak and that the only way to improve their bargaining power was through joining the telecommunications union and hence belonging to an organisation whose interests focussed exclusively on the industry rather, than one that sought to represent workers employed in a diverse range of sectors of employment.

Consequently, this issue was to be raised at a meeting with the government, which was scheduled to take place in September 2001. Thus, the JTC union representative noted:

> *'Our position with the management remains weak because we belong to the Occupations Union and this does not give us the power to interfere or take action in all matters.... Until now we are still suffering from this and we are continuously demanding to have our union and next month we have a meeting with the ministry to gain our independence because now, just from our company, we have over 1400 members and the numbers are increasing as currently we have 250 applications from JTC to join the union...'.*

Conclusion

The Telecom Co case study described in this chapter demonstrated that a wide variety of changes had been made in the human resources area. A new, and better staffed, HR division was created which was linked directly to the operating committee of the company. As regards the other changes made, these, as in the two other case study organisations, affected each of the specific areas of HR activity investigated. These changes included:

- an increased use of expatriate managers and the use of a variety of short-term expatriate appointments;
- the decentralisation of a number of HR responsibilities to line managers;
- the development of new job descriptions and the associated establishment of recruitment and selection criteria which stressed the need for candidates to possess relevant qualifications and competencies;
- the adoption of a revised appraisal scheme that placed a greater emphasis on the identification of training and development needs, the identification of 'high potential' staff and the achievement of specified objectives;

- the linking of this appraisal scheme to the provision of individual performance-related pay and the establishment of a bonus scheme linked to company performance;
- the taking of other action to increase salary levels;
- a significant increase in training expenditure and activities which was supported by thc adoption of a much more systematic approach to individual staff development; and
- the introduction of more extensive systems of both upward and downward internal communication.

Once again, these reforms were basically aimed at creating a more efficient and business oriented organisation and re-shaping the existing organisational culture. As in Water Co and Cement Co, they had also been shaped by a number of influences.

The parent's management style, as in Water Co, did not rely heavily on the utilisation of detailed written policies/instructions. Instead, a number of less formal methods of influence and control were used. These included, in addition to a detailed system of financial monitoring, the specification of a number of guiding principles that subsidiaries were expected to comply with in such areas as recruitment and selection, training and development, performance appraisal and compensation, career management, and labour relations.

The function of these guidelines was, in turn, apparently supported by a variety of other channels of influence. These channels included the extensive use of expatriates, on both a long- and short-term basis, to propagate central decisions and to transmit the Group's culture within the subsidiary. They also encompassed the extensive use of exchange visits between corporate head office and subsidiary staff; the holding of regular meetings between corporate and subsidiary managers; and the delivery of a wide range of international seminars and training programmes. All of these channels of information exchange were aimed at not only developing local staffs' skills but also at socialising them into the parent company's 'way of doing things'.

Not only were the nature of the reforms made influenced by the parent company's approach to the management of human resources in its subsidiaries but the same was true of the way in which the changes were introduced. Essentially, two aspects of the change process appeared to bear the hallmark of the parent company. First, its incremental and gradual nature, in line with parent company's view that reforms within subsidiaries would typically take place over a period of 18 months to three years. Secondly, the adoption of a participative approach to change, that reflected the parent company's general philosophy towards the way in which change should be introduced.

Nevertheless, although the parent company seemed to be the driving force behind the reforms and the key shaper of the process of change, both the parent's and the subsidiary's actions were, to some extent, being affected by a number of local influences stemming from government policy, public opinion and trade union activity.

In the case of the government, this influence encompassed two dimensions. First, at the general level, the government continued to have an important influence over the running of the company because of the fact that it was a majority shareholder and held a number of positions on the board of directors. Thus, negotiations over the reforms to be introduced took place at board level between the parent company and government representatives/board members. Secondly, and more specifically, the government, as part of the privatisation process, laid down a number of requirements in respect of the provision of training and development, the transfer of know-how from the parent company to the subsidiary, the long-term appointment of expatriate staff, and the avoidance of redundancies and lay offs during the first two years.

As regards the role of public opinion and the trade union, the latter, despite its recent formation, was found to have prompted changes to proposed policies in several areas, including the salaries to be paid to engineers, and some daily workers and others who did not benefit from the new pay structure. Similarly, in the face of political opposition to the privatisation of public assets, both the subsidiary and the parent company were sensitive to the need to avoid taking action that would endanger public opinion and hence damage their image and reputation. For example, this concern about political and media backlashes led the company to restrict the number of expatriates employed so that local citizens didn't feel that their national assets and employment opportunities were being taken over by foreigners.

Internally, it seemed that there was little opposition from employees to the reforms being introduced. This appeared to be due to three main reasons. First, in preparation for privatisation, many of the desired changes were identified, and in part, implemented by a British consultant who, to a large extent, laid down the foundation for the changes desired by the French. As a result, many of the proposed changes were familiar to the local staff. Secondly, the French paid considerable attention to generating commitment to the changes by communicating the need for them and highlighting how they could benefit the employees. Thirdly, financial incentives, as already noted, were provided to the employees and, more generally, the company made efforts to convey to staff that it cared and respected them and thus added a 'humanistic touch' that had been lacking in the organisation previously.

Notes

[1] Following the completion of the fieldwork, it was reported, in a subsequent telephone conversation, that the company had implemented the bonus system and also embarked on an optional early retirement scheme. Information regarding this retirement scheme was also published in the local press on 17 January 2002 (Jordan Times, cited in EPC 2002).

[2] It should be noted that, by law, companies in Jordan have to spend at least 1% of their profits on training and development, otherwise this money is be given away as donation to local schools and universities.

[3] It may seem strange that the employees sought the permission of the government rather than the 'company' to form a union. However, this reflects the more general political situation in Jordan, together with the fact that the government remains the majority shareholder in the company.

CHAPTER EIGHT: OVERVIEW AND COMPARISON OF THE CASE STUDIES

Introduction

The previous three chapters provided separate detailed descriptions of the findings from each of case study organisations. This chapter aims to compare these findings in relation to the two key empirical objectives of the thesis, namely to investigate the HRM changes introduced after privatisation and to identify the factors that influenced these changes.

The chapter is divided into three main sections. In the first, the changes introduced in each of the organisations are reviewed and compared. This is then followed by a discussion of the factors that acted to shape the changes and serve to explain the similarities and differences between them. Finally, a concluding section summarises the preceding two sections.

The Changes: Their Similarities and Differences

This section initially details the main HR changes introduced in the three case study organisations after privatisation and highlights their similarities and differences in terms of the types of changes made and the way in which they were introduced. The changes concerned are summarised in Table 8.1 below.

Table 8.1 Reforms in the HR Function and Policies

	Water Co	Telecom Co	Cement Co
HR Function	HR Division created & accorded more strategic role. New HR director appointed and made member of executive board. Indirect quarterly monthly reports to corporate HR at HQ. New HR policies based on parent's common principles introduced. More decentralisation to line managers, supported by budgetary controls and targets.	HR Division created & accorded more strategic role. HR director appointed and made . member of Executive Committee. Indirect monthly reports to corporate HR at HQ. New HR policies based on parent's common principles introduced. More devolution to line managers, supported by budgetary controls and targets	HR Division created & accorded more strategic role. HR director appointed and made member of Executive Committee. Direct monthly reports to corporate HR at HQ. New company-wide HR policies introduced. Annual HR review and action plan discussed with corporate HR. Subsidiary's career & succession plan integrated into central HR plan at HQ. More devolution to line managers, supported by budgetary controls and targets
Staffing *Expatriates*	6 directors of different nationalities (including executive director), . appointed as members of executive board and heads of divisions. 3 middle managers Extensive short-term visits	3 board members (including CEO) 4 French chief officers (including CEO) appointed as members of operating committee and heads of divisions. 4 middle managers Extensive short-term visits	4 board members (including GM/CEO). 3 directors two of Arab origin (including CEO/GM) appointed as members of executive committee and heads of divisions. 2 middle managers HR consultant Extensive short-term Visits
Existing Staff	At least 50% of staff retained	Staff made permanent 1st and 2nd categories of staff considered people with high potential. Daily workers ended	Staff made permanent. Staff divided into cadre & non-cadre Daily workers ended
Staff Reduction Schemes	Returned to WAJ	No reduction for two years. (Optional early (retirement). Freeze on employment	Voluntary early retirement Freeze on employment
Recruitment & Selection	Priority to WAJ staff New recruits maximum of four year conttacts	Priority to internal staff. Revised job descrip-tions. Few needed new recruits.	Priority to internal staff Revised job descriptions Few needed new recruits
New Criteria	Qualifications and Experience – (with potential)	Qualifications, experience and with potential.	Qualifications, young with potential
Performance Appraisal	Target setting Limits put on the % of staff per performance Rating	Target setting Limits put on the % of staff per performance Rating	Target setting Limits put on the % of staff per performance Rating

Training & Development	Increase in T&D Overseas T&D for high potentials/managers T&D to develop skills & cultural change Succession planning Training the responsibility of the subsidiary. Parent more active in the development of high potentials.	Increase in T&D Overseas T&D for high potentials/managers Succession planning T&D to develop skills & cultural change Generic training plans Training the responsibility of the subsidiary. Parent intervenes in the management and development of high potentials.	Increase in T&D Overseas T&D for high potentials/managers Succession planning T&D to develop skills & cultural change & integrate subsidiary. Clear emphasis on integration & corporate culture. Generic training plans Emphasis on corporate culture Training the responsibility of both the parent and the subsidiary Central corporate career and succession planning
Rewards	Salary increases Performance related pay. Bonuses (No consolidation of pay increase into basic salaries of seconded staff)	Salary increases New pay structure – linked job to position Performance related pay Bonuses Promotion linked to performance	Salary increases New pay structure – linked job to position Performance related pay Bonuses Promotion linked to performance
Communi- -cation & Consultation	Improved two-way communication No Trade Union	Improved two-way Communication Emphasis on employee rights and benefits Little consultation with T.U.	Increased two-way communication and participation Strong consultation with T.U. High level of flow of communication with parent and other subsidiaries.

As can be seen from Table 8.1, a lot of similarities existed between the three organisations in terms of the nature of changes that were being introduced. For example, expatriates were utilised extensively and appointed to key positions, and the appraisal schemes in the three companies were revised and based on evaluations against set targets and objectives, and a limit was put on the number of employees who could receive a specific performance rating. In addition, individual performance related pay systems, as well as group bonus schemes, were established, to motivate better performance and efficiency.

In a similar vein, in each of the organisations more emphasis was placed on the issue of training and development, particularly in respect of the overseas training of managers and high potential staff, in order to both enhance technical and managerial skills and support the broader process of cultural reform. All three companies also revamped their communication systems to improve communication and engender greater employee involvement, and where trade unions existed, the management tried to establish and maintain good relations with them.

More generally, new HR functions were created which were given a more strategic role in order to achieve greater horizontal and vertical integration: a process demonstrated by the fact that the directors appointed to head these functions were made members of the executive committee/board responsible for the day-to-day running of the company. At the same time, action was taken to devolve greater HR responsibilities down to line managers.

At the same time, each of the organisations experienced difficulties in terms of implementing aspects of their reform programme. For example, all three companies had not gone as far as they wanted in terms of devolving HR responsibilities to line managers. In a similar vein, Water Co and Cement Co had yet to succeed in extending their new appraisal schemes to all categories of staff and Telecom Co had yet to fully operationalise its new bonus scheme.

In addition, there were four areas of difference in the findings obtained from the case study organisations. First, in relation to how the above reforms were determined. Secondly, the pace with which they were introduced. Thirdly, the use made of participative change mechanisms. Fourthly, the relative reliance placed on the different types of methods that can be used to control subsidiaries.

In the cases of Cement Co and Telecom Co a gradual approach to change was adopted whereby it was envisaged that the reform process would occur over a period of up to three years. In addition, these two companies seemed to put more emphasis on a participative process of reform rather than one driven by top management. In contrast, in Water Co, no working parties were established and the HR policies were designed rapidly by the expatriate HR director in cooperation with the executive board.

As regards the authorship of the reforms, in both Water Co and Telecom Co a good deal of autonomy was given to the subsidiary, as the parent maintained mainly an advisory role and did not issue written instructions and guidelines. This autonomy was, however, constrained by the use of a number of mechanisms, including the specification of a number of common-guiding HR principles, the use of trusted and socialised expatriates in key positions, the exchange of visits between the parent and the subsidiary and the establishment of reporting systems. Nevertheless, the reporting relationship between the local and corporate HR was indirect and corporate HR did not take a direct and active role in the management of human resources in the subsidiaries.

In contrast, developments at Cement Co were far more centrally determined and corporate HR took a more direct and active role in the management of human resources in its subsidiaries through the laying down of clear instructions and guidelines and the implementation of company-wide HR policies. This central control was furthermore, as in the case of Water Co and Telecom Co, supplemented by a number of more indirect mechanisms, including direct reporting relationships, the conducting of regular HR audits and reviews, intensive mutual visits, and training and development programmes.

Strikingly, these observed differences accorded reasonably well with the responses that corporate level managers gave when asked to assess their organisation in terms of

Perlmutter's (1969)/Heenan and Perlmutter's (1979) four styles of IHRM: ethnocentric, polycentric, regiocentric and geocentric (see question G.5 Appendix 4.9). Thus, Water Co was described by top management as "Polycentric", Telecom Co as "More Polycentric" and Cement Co as being mix between "Polycentric" and "Geocentric".

More generally, as is shown in Table 8.2 below, while the companies used all four of the methods of control detailed in Chapter 3, they differed with regard to the emphasis placed on them. For example, in terms of 'personalised central control', greater use was made of expatriates in Water Co and Telecom Co. In contrast, Cement Co, although also making use of expatriates, placed more emphasis on control via socialisation and the creation of information networks, as demonstrated by the higher use made of overseas training and the greater flows of information that occurred between subsidiaries and the parent company, as well as among subsidiaries worldwide. It also exercised greater bureaucratic control through the preparation of detailed written policies and manuals and the existence of a direct reporting relationship with corporate HR.

Table 8.2 Level and Type of Control[1]

	Level of personal Centralised control	**Level of Bureaucratic formalised control**	**Level of Socialisation & networks**	**Output control**
Water Co	High	Low	Medium	Low/medium
Telecom Co	High	Low	Medium	Medium/high
Cement Co	Medium/high	High	High	High

This last point can be clearly illustrated in the area of training and development and communication. Thus, in the case of Cement Co there was a strong emphasis on the development of an international cadre and to this end a central HR plan that incorporated all the subsidiaries' career and succession plans was put in place. In contrast, in Water Co and Telecom Co, training and development was decentralised and the subsidiaries were free to choose the programmes that suited them.

Factors Influencing the Changes

A comparison of the findings from the three case studies therefore reveals five main areas of similarity and difference. In brief these are the marked similarity that existed in terms of the types of HR reforms being introduced, and the differences that existed with regard to the way in which these reforms were authored, the relative use made of a participative approach to change, the types of methods used by the parent companies to control their subsidiaries, and the pace with which the desired changes were being introduced.

These five features of the findings appeared to reflect the influence of a number of inter-related factors. The most important of these were the beliefs that senior management held concerning what constituted 'good and appropriate' HR. Others related to the characteristics of the industries in which the MNCs operated and their associated international strategies and structures; the parent company's experience in managing international operations; the strategic role of the subsidiaries and their mode of establishment; and a number of host country effects. The role of each of these factors is discussed below. However, their contribution to the noted similarities and differences are highlighted in summary form in Table 8.3 below.

Table 8.3 Similarities and Differences and the Factors Influencing them

Similarities and Differences	Influencing Factors
Type of HR Reforms	Management beliefs/country of origin Host country effects Subsidiary's strategic role
Authorship of Reforms	Industry characteristics and strategy Host country effects Subsidiary mode of establishment
Approach to Reform	Management beliefs/country of origin International experience Subsidiary mode of establishment
Pace of Reform	Subsidiary mode of establishment Host country effects Subsidiary's strategic role Management beliefs/country of origin
Control Methods .	Industry characteristics and strategy International experience Subsidiary's strategic role Host country effects Subsidiary's mode of establishment

Corporate Management Beliefs and Country of Origin

It was apparent that top management in each of the organisations had a set of beliefs about the HRM practices that were important to achieve their business objectives and were, at the same time, suitable to be transferred and implemented in their subsidiaries worldwide.

As a result, in Cement Co, company-wide universal HR policies were applied. These were considered the company's "best practice", as they were, in their terms, *'proven, accepted and internationally used policies'*. Similarly, in Telecom Co and Water Co the policies introduced were based on "common principles" which stemmed from the parent company's general policies and way of doing things to achieve their business objectives and organisational goals.

What is particularly noticeable about the HR reforms introduced in the three companies is that they appeared to be linked to the Anglo-Saxon model of HRM, as demonstrated by their use of goal-setting performance appraisals, and individual performance-related pay.

In the case of Cement Co, this link with Anglo-Saxon thinking was particularly clear because the company had long-standing operations in the United States, and in its 2001 annual report described itself as being primarily "Franco-American" during the period between the mid- 1950s until the early 1990s, after which the parent company also opened operations in Eastern European and Asian countries.

Nevertheless, this process of Anglo-Saxoninsation appeared to also be shaped by aspects of the companies'.organisational history and socio-cultural environment. For example, as illustrated earlier in chapter 7, Telecom Co's use of redeployment of staff as an alternative to reducing the size of the workforce echoed the approach it had adopted in France following the company's privatisation. In addition, and more generally, the parent company followed its wider corporate approach of placing considerable emphasis on protecting and respecting the rights of employees. This is best illustrated by the following quote made by the senior vice president of HR and Communications:

> *'We have some management principles. I think before we were an administration and our culture is very dedicated to the users and the respect of everybody in the company. Therefore, one of our main principles is to respect workers' rights and this is one of the very basic principles and objectives....I think that our multi-domestic approach is based on our culture too because we respect people so we believe that we have to adapt our policies to the local markets.... In the HR policies first we analyse the structure and after we recommend.... It is done in two or three steps...the most important thing is the rights of workers...we think it is very important to respect the law and respect the workers and eventually we organise the company with the HR... we consider that the HR policies have to be adapted to the company...we have a way to manage the people, so we introduce our style but we take the time to introduce our style'.*

Similarly, in Cement Co consideration for employees and the need to reduce the negative effects of change were reflected in a gradual approach towards the implementation of the change in the subsidiary: an approach which was seen as an attribute of the company's national culture. For example, the Middle East director for HR related issues noted:

> *'...Lafarge is not an American company – we are not wild capitalists. We say that the employees are at the heart of the organisation, so it takes time in Lafarge culture to start and implement the change process because we do not want the individuals and employees to suffer as a result of the changes, which are going to be conducted within the company. At any rate there will be resistance to change because change is painful but the degree of it you can adjust, and with time you can do it and it can be less painful'.*

Industry Characteristics, International Strategy and Structure

A number of aspects of the industry sector and markets within which the companies operated appeared to have exerted an important influence over the human resource management orientation of each of the case study organisations and the extent to which each MNC integrated and coordinated its activities in different countries.

In the case of Water Co, it appeared that the prime factor that influenced the parent company's approach towards the management of its human resources worldwide was the "industry's sector/type". Thus, "Water" was considered to be a very local business and as a result, the parent company pursued a multi-domestic international strategy, and a competitive business strategy based mainly on differentiation, whereby overseas subsidiaries were managed as relatively independent businesses. Hence, a more decentralised approach was adopted towards the management of human resources overseas in order to achieve a higher degree of responsiveness and adaptation to the needs of local environments. This is best illustrated by the following quotes made by the international HR director at corporate headquarters:

> *'We are polycentric.... We are close to multi-domestic... We believe that we are decentralised and we try to behave in a decentralised way.... The major factor is the nature of the business. It is a community business and it is a local business.... Each country and each business unit is specific to*

its local environment...The most important factors that affected this approach are the nature of the industry and the fact that typically we don't own the company and don't own the assets. It is the structure of the market'.

In contrast, Cement Co was embracing a more global perspective in the pursuit of a global cost leadership position. Thus, despite the fact that traditionally cement has been a local and multi-domestic business, the company was increasingly seeking to lay down international performance standards, integrate activities where possible, such as in the areas of marketing and information technology, and implement standardised production techniques to reduce costs.

The major reason behind this shift appeared to be the internationalisation of competition. As a result, the parent sought a relatively high degree of integration and coordination of its operations across countries through the implementation of common HRM policies and processes. At the same time, these policies were moderately flexible to account for legal and cultural differences among countries. Furthermore, the parent company appeared to heavily utilise control by socialisation and networks to achieve the unified corporate culture necessary for its integration strategy.

As for Telecom Co, during the study the company appeared to be operating more along multi-domestic lines, with a competitive strategy mainly based on differentiation, although it was operating globally in some domains, such as IT, marketing and purchasing. However, due to increased global competition in the industry and the accelerated internationalisation of the company, the MNC was moving towards adopting a more global approach. Consequently, it was reviewing its organisational structure, systems and processes, including its approach to the management of its human resources worldwide, in a way that would allow more internal consistency. However, the volatility of the market and the need for quick decision-making, also meant that more responsibility was being given to subsidiaries to enable them to respond to changes in the market more effectively.

It therefore appeared that the companies varied in their degree of centralisation in part because of the different industry sectors that they were operating in. At the same time, all of them were confronting a "think global – act local paradox", albeit to different degrees. Thus, they recognised the need for local responsiveness but also faced internal pressures for consistency to achieve and maintain required levels of performance worldwide.

For example, in Cement Co the company was faced with a tension between a desire for inter-unit linkage (integration) to capture economies of scale and reduce costs, as it pursued a cost leadership competitive strategy, as mentioned above, and the need to be locally responsive in each of its local environments worldwide (differentiation). This is best illustrated by the following quote made by the senior vice president of human resources and integration of the cement division noted:

> *'Our strategy is to give autonomy to local businesses because our sector has two characteristics. One is that it is a very local one. The second is that globalisation has a lot of influence in this sector.... Globalisation means that the market is a world market and we have to be and compete everywhere... When we acquire a new company we try to integrate it in our group. We need to build our central group globally'.*

Similarly, Water Co, despite the high need to be locally responsive, also sought to obtain a standard level of performance worldwide and preserve its reputation and image. For example, the international HR director noted:

> *'We are a federation of local businesses operating in quite a sensitive area of public services.... But of course, at the end of the day we are a business quoted on the stock exchange and we have shareholders to satisfy, so we have to find that balance.....It is this balance between being a local community business but bringing everybody to the same standard of behaviour and performance – think local act global...We are close to multi-domestic. We have to have global standards but we have to implement them in a local context'.*

The case was no different with Telecom Co, as the following quote from the senior vice president of HR and communications illustrates:

> *'I think we are both multi-domestic and global.... Now we are more multi-domestic but in the future, in the next two years may be, we will be more global.... The reason is that the market and our group are changing.....The factors that influenced this structure and approach are the competitiveness of our competitors'.*

It should be noted, however, that even within the individual companies themselves different approaches were adopted depending on the sector/s that it was operating in. Thus, for example, in Water Co, it was indicated that in the water sector the company was following a multi-domestic strategy, while it pursued a more global strategy in other sectors. Similarly, in Telecom co, it was reported that in the fixed lines communication business the company adopted a more polycentric/multi-domestic approach, while it operated more globally in other businesses such as mobiles, Internet and data processing.

Experience in Managing International Operations

Water Co and Cement Co were long established international companies. For example, in 1998, among the world's 100 largest TNCs, Water Co was ranked 13th largest in terms of foreign assets and 63rd on the index of transnationality, while, in 1997, Cement Co was ranked 68th in terms of foreign assets and 23rd on the index of transnationality (UN, 2000:77). However, this was not the case with Telecom Co and this factor seemed to have had implications for it as illustrated below.

Telecom Co had pursued an aggressive international growth strategy since its privatisation in 1996. Thus, within less than 6 years of its privatisation it began to operate in 75 countries and increased its revenue from overseas operations from 2% to almost 50%. To achieve this rapid growth, initially the MNC adopted a decentralised approach to its subsidiaries but relied on home country expatriates to transfer parent company systems rapidly to control the subsidiaries. However, the company came to realise that it needed to have more control over its subsidiaries, particularly as its international trusted home cadre was no longer sufficient to cover this wide expansion. Consequently, during the study the company embarked on a programme to create more coherent international HR strategies and policies, and to move to an organisational structure that would provide more control and coordination, and at the same time, gives room for manoeuvre and flexibility in decision-making.

Subsidiary Characteristics

Certain features of the subsidiaries themselves also exerted an influence. These are considered below through an exploration of two issues: their strategic importance and the mode by which they were established.

Subsidiary's Strategic Importance

Each of the Jordanian subsidiaries were starting from relatively low technological, and technical knowledge bases. Consequently, in part, the relatively high scale of flow of information and resources to them reflected the need to deal with these weaknesses. On the other hand, in each case the long-term strategic importance of these subsidiaries as "footprints" in the region had certain implications for how the MNCs approached change and reform in them. As a result, the subsidiaries' strategies were developed within the frame of the parent's overall international strategy. For example, in Cement Co the general manager noted:

'In terms of profits and sales the subsidiary has little importance...In terms of strategic importance, it has high importance because it is the first operation in the Middle East. Therefore, it could be the basis for market access and future operations and development in the area.... When we find opportunities in the area and we can acquire new companies we can do it through Cement Co in Jordan. We make Jordan Cement think and develop in the region within the strategy of the group.... Our aim after two or three years is to train and develop and prepare local people to take over...also potential human resources in the Jordanian company will become expatriates and take missions overseas and train the people in the new companies that we acquire to integrate and join our system'.

Similarly, Water Co was strategically very important because it was the first large contract in the area and could facilitate market access not only to the rest of Jordan but also to the whole region. Thus, according to the HR director, *'this represented a footprint in the region...and in this contract the parent company we are looking into the future and have less interest in making money from this contract'*. In fact, it was indicated that the parent company was investing in human resources at this stage due to the future role of the subsidiary in the area.

The same seemed to apply to Telecom Co. For example, according to the senior vice president for human resources and communications:

'Jordan is very important. For us it is one of our main subsidiaries worldwide and it is a very important subsidiary in the region... So we may also say that business unit strategies must fit into an overall strategy which is decided by the company at head Office'.

The strategic importance of the subsidiary was further highlighted by the Treasurer and Taxation manager (later finance director) who noted:

'They want it to be a foot print for them especially in the area and in terms of internet and data. They want to make it the centre, as a hub, for Internet and data and link to other countries from here. Profits are also important for them. Qualifications are available in Jordan and technical people and staff in Jordan are well trained compared to other people in the region and their cost is not high. So it is a sound combination for them. (In summary: hub for the region and access to other markets, good

qualifications with lower costs. From Jordan they want to move to other countries such as Syria, Iraq and the Gulf States)'.

This strategic importance of the subsidiaries seemed to mediate the parent companies' desire for higher levels of control and pushed for more local responsiveness and sensitivity to the local environment. For example, in Cement Co the parent company kept its promise to the government and did not lay off employees for almost two years, and when it did reduce the size of the workforce this was done through an optional retirement scheme that provided reasonable compensation. Furthermore, the trade union was able to achieve a number of concessions, such as salary increases and changes to the new appraisal scheme, because the MNC did not want any conflict which could harm its reputation and interests in the area.

Similarly, as a result of Water Co's concern about its relationship with the government, it did not implement all the desired HRM policies and practices immediately, such as the introduction of a more extensive results based reward system, and preferred to wait until the contract was extended. In a similar vein, at Telecom Co, the MNC agreed not lay off employees for two years, and later introduced an optional early retirement scheme and gave donations to educational and social programmes to reflect its good image and reputation.

Subsidiary's Mode of Establishment

The three MNCs all entered well-established organisations with their own policies and organisational structure and cultures. Awareness of such pressures for 'local isomorphism' resulted in both Cement Co and Telecom Co adopting gradual and participative approaches to change, albeit that these approaches reflected the parent company's more general way of incorporating acquired subsidiaries into their operations. Thus, initially, no or very limited, changes were introduced and efforts were made to reduce resistance and generate commitment on the part of the workforce to such changes through the establishment of working parties. More generally, in both companies it was envisaged that the change process would take place over a period of up to three years.

The situation was slightly different in the case of Water Co, which had to introducc the changes relatively faster than the other two organisations because it was constrained by the four-year contract and the need during this time to implement improvements in order to demonstrate its value to the government. Accordingly all the new HR policies were designed immediately after privatisation, although the implementation of some of these policies was delayed due to situational factors, such as the departure of the expatriate HR director and the need to train line mangers on the use of the new appraisal scheme. Furthermore, since the MNC did not own the company and the management contract was only for a limited period, the company decided not to apply its international transfer policy to Jordan, and it also placed relatively less emphasis on training and development and the creation of a strong corporate culture.

The Host Country Influences

A number of features of the local environment also seemed to play a role in influencing the HRM strategies adopted by the three MNCs. These can usefully be considered under two headings. First, the surrounding political environment and the role of the government. Secondly, broader legal, socio-cultural and economic factors.

Political Environment

Concerns about public opposition to privatisation were reflected in government policies and conditions that not only sought to control the behaviour of the MNCs but also to protect the rights of the employees, allay public concerns over the relinquishing of national assets to foreigners, and demonstrate that the introduction of foreign companies could contribute to the development of the country through, for example, the transfer of know-how.

Three main actions were taken by the government to achieve these objectives. First, the government imposed requirements of some local ownership. Hence, for example, Water Co and Telecom Co had to form consortiums and partnerships with local firms in order to conclude their deals with the government. The government also sold some of its shares to the local staff, as was the case in Cement Co and Telecom Co. Secondly, the government made agreements with each of the firms in order to ensure the transfer of know-how and the development of local staff. Thirdly, the government imposed post-privatisation conditions, such as restrictions on redundancies and limitations on the number of expatriates employed.

All of these government actions had obvious implications for what the companies did in terms of human resource management. Nevertheless it needs to be recognised that the degree of government influence varied between the companies according to way in which the privatisation had been carried out.

The privatisation strategy adopted by the government and thus, the mode of establishment and operation of the three firms were different. In the case of Water Co, it was privatised through the award of a four-year management contract which was financed by a World Bank Loan. This contractual agreement therefore provided the government and the World Bank with an opportunity to impose a variety of contractual conditions relating to such matters as performance, staffing, training and development and rewards, as illustrated in chapter 5. On the other hand, Telecom Co and Cement Co were both privatised through the sale of shares to strategic partners. Thus, the government had less incentive to lay down many conditions since both the government and the new MNCs had representation on the board of directors and decisions were therefore taken jointly. For example, during the study, the new management in Cement Co did not consolidate a number of allowances into basic pay because other board members were not yet convinced about its desirability.

The privatisation strategy adopted and the degree to which the government sought to exercise control also reflected differences in the industry sectors concerned. For example, maintaining a relatively tight control over Water Co via the management contract was important for the government because the water sector was considered to be essential and therefore had political significance. The situation was different with Cement Co and Telecom Co, as they were operating in sectors which were considered to be more commercially based, and non-essential, activities. In addition, both companies were losing their monopoly powers as the government opened up both sectors to competition, with the result that it was seen as necessary to give the companies the freedom to operate on a more commercial and competitive basis.

Accordingly, it was found that the government gave a freer hand to the new management teams in these companies than was the case at Water Co. Thus, in the case of Telecom Co, the main conditions imposed by the government related to the composition of the executive operating committee and the number of expatriates employed, a prohibition on the dismissal of employees for two years and a requirement that the new company provided training to employees and transferred know-how. Meanwhile, in Cement Co the main conditions were listed in a technical agreement which specified the number of expatriates to be appointed, and required the transfer of know-how, and the training and development of local staff. The company did, however, in seeking to buy the company and allay government fears about unemployment and related potential social and political problems, promise the government not to make extensive lay offs, to preserve the environment and to abide by the country's laws and regulations.

Legal, Socio-Cultural and Economic Environment

The choice of the HRM strategy was also influenced by the legal environment. The legal frameworks relating to the companies were different. In Water Co, the seconded employees were still subject to civil service regulations and pension arrangements. Therefore, the new company was restricted as to what it could do with these employees. On the other hand, Telecom Co was registered as a company and was operating on a commercial basis prior to privatisation and, as a consequence, of this the majority of the employees had already been transferred to it and hence were covered by general labour and company laws. Similarly, Cement Co was a registered company operating on commercial basis and the employees were already subject to the general labour and company laws. Hence, it was easier for the incoming management to adjust and/or introduce new policies, such as early retirement schemes.

Nevertheless, Cement Co was unable to extend working hours due to the union's use of labour law regulations to oppose this. Similarly, in the case of Water Co, the British director agreed on the carrying forward of annual leaves for more than one year, despite his opposition to this, because this was allowed under government regulations.

The socio-cultural and economic situation of the country also seemed to influence the MNC's strategies. The decisions of the companies to avoid redundancies but instead to reduce the workforce by means of optional retirement schemes partly reflected an awareness of the relatively high unemployment and the role that these previously publicly owned enterprises played in providing employment to many citizens for social reasons.

The cultural factor also was taken into consideration and affected the way and speed in which the desired practices were transferred to the operating units. For example, since the Jordanian subsidiaries had all been run in an authoritarian management style it was decided not to delegate HR responsibilities to line management rapidly because the MNCs felt it was necessary to first change the attitudes and mindsets of the people and train them. Furthermore, in Cement Co, the company's attempt to introduce a meal for the employees and extend the working hours was opposed not only for legal reasons but also for cultural reasons since the employees preferred to go home at an earlier time to have lunch with their families in accordance with Jordanian traditions.

Conclusion

In this chapter the three case study organisations were compared and contrasted to highlight the similarities and the differences in the HRM reforms pursued and implemented in the Jordanian operating units after privatisation, as well as the factors that influenced the introduction of these changes.

The findings from these case studies exhibit both marked similarities and significant differences. In terms of similarity, the MNCs were found to be revising organisational structures and policies and seeking to support these reforms with attempts to re-shape existing organisational cultures. It was also found that in each of the three case study organisations the reforms being introduced were essentially aimed at making the acquired companies more business and target oriented and to this end incorporated initiatives to improve existing selection and appraisal procedures, establish closer linkages between pay and performance, improve communication and participation, and introduce more devolved and decentralised management structures. In addition, expatriates were being widely employed to develop and implement these reforms, and training and development activities were being extensively used to provide employees with necessary skills and knowledge and as a central part of attempts to engender supportive attitudinal changes.

The three companies seemed to share the belief that expatriates are the quickest way to put in place policies and procedures and socialise local staff. However, particularly, in the HR area, they also seemed to believe that the existence of a strong local HR director who is knowledgeable and familiar with the local culture and regulations is essential to the process of change management.

At the same time, marked differences existed with regard to how the above reforms were being determined. Thus, in Water Co while the parent company used expatriates intensively, those appointed to senior management positions were accorded considerable freedom and discretion as to the precise policies and local management style that were to be adopted. Water Co also seemed to adopt a relatively faster approach to change and there was no participation form the local staff in designing the policies.

In contrast, developments at Cement Co, notwithstanding the use made of participative working parties, were far more centrally determined and embodied far clearer attempts to inculcate a 'corporate culture'. The situation in Telecom Co seemed to lie in between the other two organisations. Thus, while the MNC allowed a good deal of local discretion and used working parties to design the HR policies, it closely monitored the development of the HR policies and gave constant advice to the subsidiary.

It should be noted, however, that although the relationship between the parent and the subsidiary seemed relatively more informal and decentralised in both Water Co and Telecom Co, in both companies the subsidiaries had to apply common HR principles.

These similarities and differences seemed to reflect the influence of a number of factors. First, perhaps the most important was similar top management beliefs about the HRM policies and practices that could be diffused to their subsidiaries worldwide in order to achieve wider corporate objectives: beliefs that appeared to be strongly influenced by Anglo-Saxon notions of what constitutes good HRM practice. However, the MNCs' approach to HRM was also influenced by their corporate cultures and organisational histories, which led them, for example, to implement gradual change and manage by consensus rather than confrontation.

The industry characteristics also appeared to exert an important influence over the corporate human resources strategies of the MNCs. Thus, while none of the three companies were engaged in markets conducive to highly integrated approaches to either production or the delivery of services, both Cement Co and Telecom Co did face competition from other cement manufacturers and Telecom operators. As a result, and in contrast to the situation at Water Co, where the main priority was to comply with the requirements of its management contract, Cement Co did see the need to have centrally determined and integrated management systems in place that would ensure competitive levels of production efficiency. In a similar vein, against the background of increasing competition, Telecom Co was also taking steps to increase the degree of internal consistency.

Another factor which seemed to have an impact on the way the MNCs managed the subsidiaries was the strategic importance attached to them and the degree of their dependence on the parent company. Thus, as the subsidiaries in Jordan lacked technical and technological know-how and managerial expertise, this entailed a high flow of resources from the parent. At the same time, the long-term strategic importance of the subsidiaries as footprints in the region led to the adoption of a cautious approaches towards the mangement of human resources in order not jeopardise future expansionary prospects.

The way the subsidiary was established also influenced the pace and degree to which the reforms were introduced. Thus, taking over already established subsidiaries led to the adoption of gradual and participative approaches to change in both Cement Co and Telecom Co. In contrast, the pace of change was relatively faster in Water Co due to the limited time period of the management contract.

A number of features of the local environment also seemed to play a role in mediating the HRM strategies adopted by the three MNCs. These included attempts by the government to influence, for political reasons, the activities of the MNCs through such means as the retention of some degree of ownership, the imposition of contractual requirements, and the securing of other commitments from the three French companies concerning certain aspects of their future behaviour. They also included an increased ability of trade unions, against the backcloth of the political concerns about privatisation, to restrict the actions of the MNCs, the requirements of local employment and social security laws, and constraints arising from wider social and cultural considerations within both the subsidiaries and Jordanian society as a whole.

Notes

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[1] Table 8.2 is based on the framework developed by Harzing, A. (1999; 2000b). A distinction has been made by Harzing between bureaucratic formalised control and output control. The first refers to pre-specifying, mostly in a written form the behaviour that is expected from the employees. Thus, it includes written policies and manuals, rules and regulations. Output control refers to specifying goals/results/outputs and monitoring them through reporting systems.

CHAPTER NINE: CONCLUSIONS

In this chapter, the overall aim and related objectives of the study are initially reviewed. The key findings that emerged from the two literature chapters and the case study research are then highlighted. Following this, attention is paid to how these findings relate to existing knowledge concerning the human resource strategies and policies of MNCs. Finally, the last section discusses the present study's limitations and, in the light of these, identifies possible avenues of future research.

The Aim and Objectives

The primary aim of the study was to examine the impact of foreign ownership/control on the HRM policies and practices of three Jordanian companies taken over by French MNCs under the Jordanian government's privatisation programme. More specifically, at the outset of the study, four key objectives were defined:

Objective 1: to examine the nature and scale of privatisation policies in Jordan, including the role played by foreign companies;

Objective 2: to review the literature on multinational human resource strategies;

Objective 3: to investigate how foreign ownership/control arising from privatisation has affected the HRM policies and practices of Jordanian companies; and

Objective 4: to analyse the variables that have influenced the adoption of these HRM policies and practices in the privatised companies

Accordingly, the nature and scale of the privatisation process in Jordan were described in chapter 2 and the literature on multinational human resource strategies was reviewed in chapter 3. Following this, the changes in the HRM policies and practices of the privatised companies and the factors that had influenced those changes were described, analysed and compared in chapters 5, 6, 7 and 8.

The Key Findings

Following an economic crisis in 1989, the Jordanian government initiated a programme of privatisation during the early 1990s as part of an economic restructuring plan under the guidance of the IMF and the World Bank. However, no real progress was made on this programme for a number of related reasons: a lack of political consensus within government about the desirability of privatisation; a failure to create an infrastructure through which the programme could be effectively taken forward; and social concerns particularly, about potential labour redundancies, in the overstaffed public enterprises. Subsequently, the World Bank published a report in 1995 in which it urged the government to speed up the privatisation process. Accordingly, in 1996, the government developed a new privatisation programme and a strategy to implement it. The first major privatisation transaction subsequently took place in November 1998, and so far six out of the eight privatisation transactions identified in the first phase of the programme have been completed.

As regards the literature review on the human resource strategies of multinationals, this revealed that four broad themes dominate it. First, the nature of the overall international human resource management strategies of multinational companies. Secondly, the types of factors that influence the choice and adoption of these strategies. Thirdly, the modes of control utilised to implement them. Fourthly, the extent to which the HRM practices of MNCs are converging or diverging against the backcloth of globalisation.

With regard to the first issue, it was found that various attempts have been made to categorise MNCs' human resource strategies through the construction of typologies. The first such typology was developed by Perlmutter (1969). This, initially, distinguished between three broad approaches that MNCs adopt: ethnocentric, polycentric and geocentric. Later a fourth typology was added, namely regiocentric (Heenan and Perlmutter, 1979). Although subsequent typologies (e.g. Bartlett and Ghoshal, 1989, 1998; Adler and Ghadar, 1990; Milliman *et al*, 1991) have been developed, it was noted that the literature broadly supported that developed by Perlmutter and his colleagues.

Turning to the factors that influence the particular HRM strategies adopted by MNCs, it was found that these encompass a range of influences which can be seen as relating to five main sets of variables: the country of origin of the parent company; features of the host country of the subsidiary; the characteristics of the industry in which the company operated, and its associated international strategy and structure; stages of the company's internationalisation process; and the characteristics of the company's subsidiaries (Schuler *et al.* 1993; Taylor *et al*, 1996). It was further noted that various control mechanisms can be used by multinationals to implement their chosen strategies, the most important of which could be classified under three main headings: personal centralised control; bureaucratic and output control; and control by socialisation and networks (Harzing, 1999; Ferner, 2000). However, it was also found that that these control mechanisms could be used in combination and hence should be regarded as complements rather than alternatives (Edstrom and Galbraith, 1977; Martinez and Jarillo, 1989). At the same time, there was some evidence that, as firms become more global, bureaucratic and output-based controls become less important than control through socialisation (Marschan *et al.*, 1996). There was also some evidence that the process of globalisation is encouraging a convergence of

MNC approaches (Saka, 2001) and an associated process of homogenisation (Sisson, 2001).

More generally, however, the literature review confirmed the central weakness of the existing literature on the international human resource strategies of MNCs that provided the fundamental rationale for this study (see chapter 1), namely a marked lack of research into the strategies adopted by MNCs in developing economies, particularly where they become involved under the auspices of privatisation programmes. Consequently, the literature review served to further confirm the potential of examining the HRM policies and practices adopted by three French MNCs in privatised Jordanian companies and the factors that influenced their adoption.

In general, the fieldwork undertaken in these companies revealed that in each of the Jordanian subsidiaries a wide range of changes had been made to the previously existing HRM policies. These changes encompassed the creation of new and better staffed, HR divisions that were accorded a more strategic place and role, notably through the linking of them directly to the senior management committee/board responsible for the running of the company. They also encompassed the making of reforms in each of the specific areas of HR activity investigated: the people management responsibilities of line managers; staffing, recruitment and selection; training and development; performance appraisal; rewards; and communication and consultation.

As demonstrated in the previous chapter, taken together, the three case studies highlighted similarities in terms of the objectives and the broad thrust of the structural, policy and cultural reforms introduced by the three French companies which were found to be essentially aimed at creating a more efficient and business oriented organisation, but differences in terms of the way in which the reforms were centrally 'authored', the extent to which they were implemented in a participative way, the types of control mechanisms that were used to support the reform process, and the pace with which the reforms were introduced. These similarities and differences were further seen to reflect the influence of five main groups of factors: corporate management beliefs about transferable best HRM practices; characteristics of the industries in which the companies operated and the implications of these for their relevant international strategies and structures; the parent company's country of origin and experience in managing international operations; characteristics of the subsidiaries involved, notably their strategic role and mode of establishment; and a number of host country effects.

Theoretical Implications

A comparison between the empirical findings obtained and the main conclusions to emerge from the literature review reveals a number of areas in which the findings of the case studies contribute to the literature. These theoretical contributions are highlighted in this section through the discussion of four central issues identified in the literature review: international HRM strategies, determinants of HRM strategies, methods of control, and convergence *vs* divergence.

International HRM Strategies

As was noted in chapter 3, a number of typologies of IHRM strategies have been developed (e.g. Perlmutter, 1996; Heenan and Perlmutter, 1979; Bartlett, 1986; Bartlett and Ghoshal, 1989; Adler and Ghadar, 1990). The most widely accepted of these is that of Perlmutter (1969)/Heenan and Perlmutter (1979), and for this reason their typology was explicitly utilised in the present study.

Heenan and Perlumutter have distinguished between four types of IHRM strategies: ethnocentric, polycentric, regiocentric and geocentric, and in doing so identified a number of dimensions of variation between them. These dimensions included the degree of centralisation/decentralisation of MNCs, and the source of their human resource management orientation.

Heenan and Perlmutter (1979) argued that under the *polycentric* approach decision-making is highly decentralised and foreign subsidiaries adopt local employment practices. In contrast, under an *ethnocentric* approach decision-making is characterised by significant centralisation and an attempt to impose employment practices from the home country on overseas operations. Differently again, the *regiocentric* approach involves the establishment of standardised practices at the regional level which are determined regionally. Finally, the *geocentric* approach embodies a similar approach to the regiocentric one, except that the standardised practices are applied to the whole corporation globally rather than to regional blocks within them. These central standardised practices are based on an amalgamation of what is considered universal best practices and implemented throughout the organisation to meet the needs of the business worldwide.

The findings show that the case study companies did differ in terms of the degree to which decision-making was centralised/decentralised. Thus, in both Water Co and Telecom Co, corporate HQs gave considerable autonomy to the subsidiaries, made relatively little use of formal written guidelines and those that did exist could be applied flexibly, and established an indirect reporting relationship between local and corporate HR. In contrast, developments in Cement Co were more centrally determined, and involved the introduction of universal company-wide HR policies and the establishment of a direct reporting relationship between the local subsidiary and corporate HQ. Indeed, these variations were reflected in how the companies described themselves when asked to evaluate their organisations in terms of Perlmutter's (1969)/Heenan and Perlmutter's (1979) typology. Thus, Water Co was described as Polycentric, Telecom Co as more polycentric and Cement Co as being a mix between polycentric and geocentric.

On this basis, it would therefore seem that Perlmutter's/Heenan and Perlmutter's typology continues to have some validity. At the same time, the findings indicated that the MNCs not only adopted somewhat different IHRM strategies, but also utilised a mix of them (Heenan and Perlmutter, 1979: 21). For example, Water Co was classified as being more polycentric in the water sector, while more global in other sectors. Similarly, Telecom Co and Cement Co were operating along both multi-domestic and global lines, although to varying degrees. Consequently, it would seem that MNCs do not fall neatly into one strategy or another and that Tayeb (1998) is right to argue that the positioning of a straightforward choice between one of these major strategies is too simplistic to fully comprehend the relationship between a parent company and its subsidiaries. Nevertheless, it would also appear that these strategies still remain relevant tools for understanding the behaviour of MNCs since, as noted above, senior executives in all of the case study organisations felt comfortable in classifying their companies in relation to them.

In addition, as will be discussed in more detail later, although the HR approaches that the MNCs adopted appeared to reflect to some extent French traditions and culture, the overwhelming impression to come out from the findings was that they were in large part adopting Anglo-Saxon based HR practices. Consequently, insofar as developments in them reflect those occurring in other non-Anglo-Saxon MNCs more generally, they consequently serve to make problematic the use of 'source of human resource orientation' as a basis for distinguishing between the IHRM strategies of such organisations. Thus, for example, such a trend would seem to potentially be leading to a situation whereby only Anglo-American companies could in future be categorised as ethnocentric. Such an interpretation, moreover, accords with Mueller's (1994) argument that 'organisational effects' begin to over-ride 'societal effects' as MNCs diffuse 'best practice' across countries, with the result that the influence of national business systems declines: an issue which is considered in more detail below.

More generally, there seemed to be no distinction between the strategies that the companies applied to subsidiaries in developed economies and those they utilised in developing ones. Consequently, the study's findings contradict Mueller's (1994: 421) argument that while organisational effects, (which include the diffusion of best practices and benchmarking, the implementation of global production strategies, and the transfer of technologies and knowledge), '*can be observed between highly industrialised nations, there would be greater limits to MNCs transferring their best practices to subsidiaries in developing countries*'. However, based on the study's findings, it would appear that this transfer may be done within different time frames because of differences in the resources and infrastructures available to facilitate it.

Determinants of Strategy

The findings from the three case studies also serve to shed further light on the influences exerted by a number of factors that have been identified in the literature as constituting important determinants of the human resource strategies adopted by MNCs. The factors concerned are the country of origin of the parent company; the characteristics of the industry in which an MNC operates and its associated international strategy and structure; the MNC's experience in managing international operations; the subsidiary's characteristics; and features of the host country.

Country of Origin

The three French MNCs, as will be explored further below, had to a large extent introduced similar reforms in their Jordanian operations. Nevertheless, it was apparent that powerful idiosyncrasies stemming from their French homeland existed (Supiot, 2000; Sisson, 2001).

For example, the notion of the "*cadre*", a unique French concept (Brunstein, 1992, 1995; Sorge, 1993; Gordon, 1993), was utilised in Cement Co. Similarly, the strong emphasis each of the companies placed on their social responsibilities towards employees accorded with the noted French emphasis '*on the social and economic role of the enterprise as a producer of wealth from which everyone benefits*' (Rojot, 1990: 100). In the case of Cement Co, for instance, the company rejected the legal option of laying off employees as part of its restructuring programme and instead chose to develop a relatively 'generous' early retirement scheme: an approach that has been noted to be commonly used by French firms to minimise the social impact of workforce reductions (Mtar, 2001: 64). Meanwhile, at Telecom Co, workforce reductions in some areas were initially secured by re-training and re-deploying employees to other departments in line with the strategy that the parent company had adopted in France following its privatisation. Later, when this option was felt to no longer be available, as in Cement Co, a voluntary early retirement scheme was introduced.

The adoption of a gradual and participative approach to change seemed to reflect this concern for employee well being, as well as being in line, according to Belanger and Giles (2001), with the '*central tenets of organisational sociology, especially in the French tradition*'. For example, in Cement Co it was noted:

'....It is Lafarge policy not to lay off people. Lafarge is not an American company. We are not wild capitalists. We say that the employees are at the heart of the organisation and it takes time in Lafarge culture to start and implement the change process because we do not want the individuals and the employees to suffer as a result of the changes.... For example, we are starting an early retirement plan which I think is a very generous programme...Lafarge is trying to create participation to change as change must come indigenously...The culture of Lafarge is very humanistic, works with the individuals. It is a consensus seeking culture rather than confrontation culture'.

In addition, the strong emphasis in all three case companies on the identification, recruitment and development of high potential people and high fliers may well have also reflected the *'French societal emphasis on hierarchy and intellectual achievement'* (Sparrow and Hiltrop, 1994; Barsoux and Lawrence, 1992 cited in Tregaskis, 2000: 154). Similarly, the noted tendency for French employment practices to be mainly based on internal labour markets (Sparrow and Hiltrop, 1994; Tregaskis, 2000) and to embody a strong reliance on internal promotions, permanent employment, and extensive training and development (Whitely, 1992) also appeared to be reflected in the human resource reforms introduced in the three Jordanian subsidiaries.

There were, furthermore, signs that the approaches of the MNCs were still to some extent embedded in insider systems, despite growing stock markets pressures (see below), and hence still placed a corresponding emphasis on longer-run performance (Ferner and Quintanilla, 1998; Marginson, 2000). Thus, as was shown in the previous chapters, the operations of the three MNCs in Jordan were not aimed at achieving short-term financial profits but rather at establishing long-term investments by creating a foothold in the country and in the region as a whole (Child *et al*, 2000). For example, in Cement Co it was emphasised that *'our goal is to create an industrial partner not a financial partner...our culture is industrial not financial'*.

At the same time, the findings indicate that, at one level, the differences found between the case study organisations simply served to confirm that MNCs differ in the degree to which they are centralised (Hamill, 1994). At another, the fact that the differences were identified in case studies involving French companies, inevitably acts as a warning against assuming too close an association between the human resource strategies of MNCs and the nationality of the parent company. As a result, the findings therefore reinforce Taylor *et al's*, (1996) observation that: *'National origin does not help us to predict which of the three SIHRM orientations MNCs from a given country will adopt'* (Taylor *et al*, 1996: 937). They also add weight to Marginson's (2000) argument that all of Perlmutter's original three strategies (ethnocentric, polycentric and geocentric) can be found amongst MNCs headquartered in any given country.

Industry Characteristics, Strategy and Structure

The findings confirm that the industry in which MNCs operate exerts an influence on the approach they adopt towards the management of its human resources overseas. In particular, the findings indicate, in line with other studies (e.g. Kennly and Florida, 1995; Abdullah and Keenoy, 1995; Traxler, 1996; Colling and Clark, 2001), that the companies were changing their strategies/approaches as a result of wider industry changes.

Evidence from Cement Co and Telecom Co also showed, in common with Ferner's *et al*, (2001) observations in respect of US MNCs, that they were going through a dynamic process of change and development, which included a *'rapid oscillation between poles of centralisation and decentralisation'* in response to rapidly changing market conditions manifested by intensified global competition, accelerated technological change, and shareholder and financial market pressures. The shifts in the strategies of Cement Co and Telecom Co further lent support to the view that there are now pressures for an increasing number of multi-domestic industries to compete globally and hence become globally integrated (Mathews, 2000; McGraw and Harley, 2001). Thus, the findings add weight to Komache's (1996) argument that globalisation is moving the integration-differentiation balance towards the former and hence leading to more influence by the parent company over its overseas operations.

However, as was evident in the case of Telecom Co, the degree of volatility of the market can, it would seem, mediate the level of influence the parent wishes to exert upon a subsidiary and result in the granting of some flexibility to business units. This therefore lends support to the view (e.g. Sabel, 1989, cited in Coller, 1996) that the greater the volatility of the market, the less the degree of central involvement of the parent company.

More generally, the shifts in these strategies, and the differences between them, appeared to reflect each company's attempt to strike a balance between pressures for internal consistency to maintain common standards of behaviour and performance globally, and the perceived need for local responsiveness – differentiation (Schuler *et al*, 1993; Monks, 1996; Dowling *et al*, 1999; Venaik *et al*, 2001). Nevertheless, the findings appear to support the view that multi-domestic industries in the classical form, where HR policies mirror local practices, do not exist any more (McGraw and Harley, 2001). Thus, it would, on the basis of the three case study organisations, appear that in multi-domestic industries, where there are high pressures for local isomorphism, firms still seem to try to implement similar practices in order to pursue global objectives and protect their image and reputation. Insofar as this is the case, the findings of the study indicate that globalisation and internationalisation are promoting the internal convergence of human resource management (Belanger *et al*, 1999).

Subsidiary Characteristics: Mode of Entry and Role of Subsidiary

Within the context of privatisation, a subsidiary is more likely to be set up by taking over an already existing local company, whether this be through mergers and acquisitions, or management contracts. One implication of this is that MNCs confront subsidiaries that already have their own established norms and cultures. This had led some authors (e.g. Ferner and Edwards, 1995; Tayeb, 1998) to argue that in such situations HRM policies will initially be more likely to resemble local practices until gradually the parent company has asserted its organisational culture.

In fact, as has been seen, this view is borne out by the developments that occurred in each of the three case study organisations. Thus, it was recognised by the three companies that change takes time and that, in already established organisations with their own cultures and norms, resistance to change was likely to be high. Consequently, in each of the Jordanian subsidiaries local practices were only gradually reformed and the change process was supported by extensive attempts to secure related attitudinal changes.

Linked to this is the role of the subsidiary. The findings indicate that the three Jordanian subsidiaries in Jordan were seen to have a 'strategic role' to play in terms of the MNCs' future expansionary ambitions in the region. This role appeared, at one level, to encourage the companies to focus a great deal of attention on ensuring that the desired HRM policies and practices were effectively implemented in order to prepare the subsidiaries to fulfil it. At another, however, the role appeared to generate a considerable concern to avoid taking actions that would attract government or public disapproval (see further below). This concern, in turn, led each of the companies to delay or abandon the introduction of some desired practices, such as the payment of higher salaries than those agreed with the government, and the introduction of a remuneration policy that was more results-based in Water Co.

Notwithstanding the above, developments still occurred more rapidly in Water Co. This reflected the fact that it was operating under a four-year management contract during which time it had to demonstrate its value. Consequently, it was important to quickly put in place reforms that supported the achievement of the various targets set (Luostarinen and Welch, 1990).

Host Country Effects

Whitley (1999b) has argued that the host country effect is uninteresting because it is less likely to instigate major organisational change throughout an MNC. The existing literature does, however, suggest that host country factors can act to influence the human resource management approaches that MNCs adopt in respect of national subsidiaries.

The evidence obtained in the present study supports this latter view. Thus, at the general level, it suggests, as indicated above, that such factors can act to shape, or at least constrain, the actions taken by MNCs. In addition, at a more specific level, they indicate that governmental conditions imposed on sales and within management contracts, can have implications in such areas as the scale of workforce reductions, the role of expatriates, in both the short-and long-term, the training and development of staff, and, more generally, the transfer of know-how in terms of technical and managerial skills.

In fact, the conditions imposed by the Jordanian government on the three companies, but particularly Water Co via a management contract, fit well with De Castro and Uhlenbruck's (1997), and Uhlenbruck and De Castro's (1998) argument that governments in developing countries are more likely to impose local ownership requirements and other post-privatisation conditions due to the need to demonstrate that assets are not being given away to foreigners and in order to maintain political stability. They also lend support to the argument that developing countries tend to combine authoritative planning with private property (Murtha and Lenway, 1994 cited in De Castro and Uhlenbruck, 1997), with the result that their political processes emphasise nationalism and a need to maintain 'political conditions'.

The case study findings indicated, as already noted, that political controversies surrounding the privatisation of public assets not only impacted on the privatisation policies of the Jordanian government, but also served to impose further constraints on MNCs that had ambitions to expand their activities in the country, as well as the wider surrounding region. In addition, the enhanced influence that the trade union in Cement Co was able to wield following its privatisation raises the more general point that, in contrast to the way in which privatisation in western countries such as the UK generally served to weaken the power of unions (Ferner, 1989; Parker and Martin, 1993; Beaumont and Harris, 1995), privatisation in Jordan could act to increase the role that unions play in Jordanian society. In fact, there are three reasons why this may well be likely. The first is that one effect of privatisation is to remove employees from the coverage of the civil service law and hence the prohibition that this places on union membership. As a result, a growing number of workers will have the right to join and take part in the activities of trade unions. Indeed, the developments in Jordan Telecom serve to highlight this point. The second is that the political sensitivity surrounding privatisation that enabled the union in Cement Co to increase its influence remains, at least for the time being. Consequently, unions in other privatised undertakings may also be able to exploit it in order to gain concessions. Finally, insofar as foreign multinationals entering Jordan have, in common with the three investigated here, wider expansionary objectives in the MENA region, it can be speculated that, like Cement Co, they will seek to avoid confrontations with unions which could harm their regional reputation. This would seem particularly so if the unions in Jordan continue to develop cross-border networking and connections (Martinez Lucio and Weston, 1995) that can be used to facilitate the threat of adverse 'propaganda' in negotiations (Marginson *et al*, 2003). Furthermore, the fact that, in Jordan, government employees had a distinctive legal status, and terms and conditions of employment, served to create additional complications for the MNCs that had acquired their organisations, as well as for the government itself.

In summary, as Baddar (2000) and Baddar and James (2001) have argued, research on the human resource strategies and policies adopted by MNCs in subsidiaries acquired through privatisation programmes in developing economies therefore needs to pay due regard to the way in which they are affected by governmental policies and wider political and legal considerations. In addition, as the case study findings show, they also need to pay attention to the role played by negotiations between governments and MNCs, both prior to privatisation and after it.

Modes of Control

The literature suggests that MNCs can use a variety of control mechanisms to direct and control the behaviour and performance of their subsidiaries (Egelfhoff, 1984). In this respect, a major distinction has been made between 'personal', 'bureaucratic, including output monitoring' and 'social' modes of control (Child, 1972; 1973; Edstrom and Galbraith, 1977; Harzing, 1999, 2000b; Ferner 2000). The personal centralised control relies on maintaining control by confining decisions to the senior levels and closely monitoring local compliance with these decisions. In contrast, the impersonal bureaucratic method relies on formal rules and procedures, written policies and manuals, the monitoring and recording of data, and budgetary controls (Calori *et al.*, 1994; Harzing, 1999), while socialisation is achieved through such means as international transfers, the creation of informal networks and contacts, and international management training and development.

The findings obtained from this study indicate that the MNCs appointed 'trusted' expatriates in key positions in order to control the performance of the subsidiaries (Ferner, 2000) and implement desired changes in management practices (Child *et al*, 2000; Calori *et al*, 1994). The role of these expatriates was, however, not only to implement corporate policies and procedures but also to train and develop local staff and change their mindsets and the organisational culture. Thus, in the terms of Baliga and Jaeger (1984), expatriates facilitated 'cultural' control, direct personal control and control by socialisation. Hence, and in line with Harzing, the need to separate the direct and indirect control effects of expatriation may not be so important if their role is seen to facilitate both forms of control (Harzing, 1999).

The important role played by expatriates in the three companies adds weight to another argument in the literature, namely that the use of such staff, who have internalised corporate values and norms, and know the parent's way of doing things, provides a *de facto* centralising control mechanism (Marschan *et al*, 1996). As a result, the presence of relatively decentralised management structures may conceal a much greater degree of centralised control. Or to put it another way, as Brooke and Remmers (1978) and Melin (1992) have argued, a decentralising ideology might indeed disguise a centralising reality (cited in Marschan *et al*, 1996).

At the same time, each of the case study companies used methods of bureaucratic control, such as financial and budgetary controls and reporting systems, to monitor the performance of the subsidiary managers, including expatriates. They also utilised a number of other forms of informal control and socialisation, such as international management training and development, the encouragement of networking, and the organisation of exchange visits, as illustrated in chapters 5,6 and 7.

Hence, in line with Ferner (2000), it is possible to conclude that MNCs rely on complex combinations of formal and informal modes of control and coordination that operate alongside each other. As a result, such methods of control should not be viewed as mutually exclusive, but as complementary. Consequently, on the basis of the findings obtained, doubts must be expressed regarding the view, advanced by such writers as Bartlett and Ghoshal (1989) and Martinez and Jarillo (1989), that MNCs are moving from bureaucratic to social forms of control in line with the evolution of multinational corporate structures from 'hierarchy' towards 'integrated network'.

Indeed, the case findings suggest, in line with Ferner (2000), that social control tends to be used to underpin rather than replace personal control, and that this latter form of control is, in turn, underpinned by bureaucratic methods. Furthermore, it also appears that personal direct control through centralised decision-making and the use of expatriates, and the establishment of bureaucratic modes of control can act to create infrastructures that impact on the culture that prevails within subsidiaries. Thus, socialisation and personal control can overlap through the role that expatriates play as both voices of centralised decision-making and as cultural change agents (Baddar Alhusan and James, 2003).

More generally, in each of the case study organisations, the HR function was seen to have a major role to play in facilitating cultural integration. The study's findings therefore accord with those who have drawn attention to the way in which such functions can act as a 'unifying force' within the international operations of MNCs (Evans *et al*, 1989; Mueller, 1994). They also provide some support for Scullion and Starkey's (2000) argument that HR strategy emerges as the primary device for strategic implementation and control in multinational firms. At the same time, the study's findings suggest that, at least in the three case study organisations, this HR role was seen to be facilitated by the presence of a knowledgeable local HR manager.

Convergence v Divergence

The findings of this study contribute to the debate on the convergence of capitalist systems stimulated by such authors as Orru *et al*, (1991). More specifically, the study sheds light on the debate concerning whether MNCs are becoming stateless, without specific national identification (Ohmae, 1990), or alternatively, whether they remain deeply embedded in their country of origin (Ferner, 1994; 1997) and therefore tend to transfer and implement their own home country practices in their operations overseas.

The findings obtained, in general, support Schmidt's (1993) argument that the French have adapted their management style to become more dynamic, and somewhat less autocratic, centralising and distant from staff. It also seems that in doing so, and in line with other arguments in the literature (e.g. Ferner and Quintanilla, 1998; Mayer and Whittington, 1999; Marginson, 2000), that the French MNCs were 'Anglo-Saxonising' in terms of their organisational structures, and management practices and policies. For example, each of the companies were utilising the Anglo-Saxon systems of performance management that have become dominant in recent years (Ferner and Quintanilla, 1998: 720; Sparrow and Hiltrop, 1994; Ferner and Varul, 2000: 94), as illustrated by their use of goal-setting performance appraisals, and performance-related pay. They similarly seemed, in accordance with the Anglo-Saxon model, to be emphasising 'shareholder value' and the importance of stock exchange markets and therefore to be departing to some extent from continental models of corporate governance (Ferner and Quintanilla, 1998). Hence, even in Telecom Co, where the government was still a major shareholder, it was indicated that an important factor that influenced its approach and structure was *'to be quoted on Paris and New York stock exchange'*.

Consequently, the findings obtained suggest five features of the case study organisations which accord with arguments advanced in the literature. First, a process of internal convergence was underway (Belanger *et al*, 1999) whereby, in order to meet global standards of performance, attempts were being made to maintain corporate organisational isomorphism (Ferner, 1997; Coller and Marginson, 1998) by applying similar employment systems and management styles: a process that was manifested in applying 'corporate common principles' in Telecom Co and Water Co, and 'corporate company-wide' HRM policies in Cement Co. Secondly, in conformity with the views of other researchers (e.g. Ferner and Quintanilla, 1998; Marginson,, 2000), the French companies were increasingly adapting their systems and practices *'towards those associated with the Anglo-Saxon model of the multidivisional enterprise'*: developments which support the argument that there is a trend of convergence in organisational thinking which reflects the Anglo-Saxon model of HRM, irrespective of the country of origin of the MNC (Sparrow, 1999: 110; Edwards *et al*, 1999; Ferner and Varul, 2000; Dorrenbacher, 2001). Thirdly, in doing so, the MNCs could be seen to be acting in a way which fits well with the argument that MNCs are contributing to a homogenisation of HR practices (Sisson, 2001). Fourthly, as a result, the study's findings suggest, in line with Ferner *et al.* (2001) and Sisson (2001), that there is a need to avoid a static approach to the influence of national business systems and national culture.

Fifthly, the fact that, despite this process of Anglo-Saxonisation, the case study companies seemed, as noted earlier, to be retaining some of the distinctive national features of their country of origin, suggests that French MNCs are Anglo-Saxonising in a 'distinctly French manner', a finding which echoes that of Ferner and Quintanilla (1998), and Ferner and Varul (2000) who concluded that the Anglo-Saxonisation of international HRM in Germany was occurring in a 'distinctly German manner'. Insofar as this is the case, it adds support to the view that Anglo-Saxonisation is occurring in ways that are '*nationally specific*', or to borrow Muller's (1999) words, that there is a '*constrained convergence*' rather than full convergence. It also adds weight to the view of Mayer and Whittington (1999) that French, German and British MNCs are '*neither wholesale universalists nor diehard locals, but rather synthesizers of both international and national systems' (1999: 953).*

Avenues of Future Research

The research strategy utilised in this study embodied a longitudinal multiple case study approach, utilising in-depth interviews conducted at both the subsidiary level in Jordan and corporate headquarters in France, with the intention of testing and drawing theoretic generalisations as opposed to drawing population generalisations (Yin, 1994). More specifically, the study provided a systematic comparison of three cases – Water Co, Cement Co and Telecom Co – in order to examine the impact of foreign ownership/control on the HRM policies and practices of three privatised Jordanian companies taken over by French MNCs.

In general, the study, it is argued, delivered what qualitative case study research is supposed to yield, that is 'thick' and 'rich' descriptions and data which provide justification for analytical generalisation, enable the contextualisation of organisational change, and serve as a reference point for comparisons with other cases (Yin, 1998; Martin and Beaumont, 1998; 1999). Nevertheless, it has to be recognised that the findings of the study are limited in a number of ways.

First, it remains the case that this study was based on case studies of three French MNCs. As a result, it leaves open the question of whether MNCs from other countries, as well as France, are, in common with those studied here, adopting similar approaches to the management of their subsidiaries in both developing and developed economies. For this reason, one area of future possible research is the systematic comparison of how MNCs from differing countries of origin approach the management of human resources in countries such as Jordan.

Secondly, while the research design did incorporate a longitudinal element, this element, although it did facilitate a more in depth understanding of the nature of the reform processes, was fairly limited in terms of timescale. An important consequence of this was that it was not possible to adequately explore an important feature of the human resource strategies of the three MNCs, namely their intention to develop local managers to subsequently become expatriates that could be used to support the companies' expansionary objectives in the wider MENA region. Consequently, given the potentially important role that such local expatriates could play in supporting the regional expansion of MNC business activities in developing parts of the world, there would seem a case for future research to utilise longitudinal studies to explore it in greater depth.

Thirdly, although the present study's findings, as already noted, do lend support to the view that a convergence of MNC human resource strategies is occurring and that this is stemming from the adoption of Anglo-Saxon 'best practices', it has been unable to shed much light on the way in which these practices have come to be seen as superior to those traditionally used. Given that this weakness is echoed in much of the existing literature, there would also seem grounds therefore for future research to be conducted in this area.

Fourthly, and related to the above point about convergence, the present study's finding that the main area in which the HR approaches of the three companies varied related to the way in which they approached the management of change has potentially important implications for future research. For it suggests that its expansionary focus should be less on explaining differences in the broad IHRM strategies of MNCs and more on accounting for variations between them in how they go about implementing the process of reform within acquired subsidiaries.

Fifthly, the study's finding that the IHRM strategies of the three MNCs were far from stable and also differed between different parts of their business, suggests that there remains scope for further exploring not only the links that exist between such strategies and broader business ones, but also the way in which these links change in response to shifts in the external business environment. It further suggests that one way in which this could be done would be to focus attention on the operations of MNCs as a whole rather than restrict attention, as many previous studies have done, to one part of their business portfolio.

Sixthly, the present study focused only on the nature of the HRM reforms that were being introduced in the Jordanian subsidiaries and the factors that influenced them. It did not therefore explore in detail how these reforms were being operationalised and the impact that they were having on workers. In fact, it is noticeable that the 'workers voice' features relatively little in the current IHRM literature. There does consequently seem considerable scope for addressing this gap in both the present study and the wider literature.

Finally, an important implication of the findings of this study is that the policies that MNCs adopt in respect of subsidiaries acquired under the privatisation programmes of developing countries can be influenced by explicit government policies, as well as wider and related political pressures. Given the fact that most of the expansion of MNCs in such countries is occurring via privatisation, this therefore seems another issue where additional research could usefully be conducted. Indeed, as much of this privatisation is taking place with the support and encouragement of the World Bank and IMF, and the current study found that the former did exert some influence over the three MNCs both directly and via its role in shaping government policies, it would seem that the nature of this influence merits a far more detailed examination than was possible in the preceding pages.

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